Tuesday June 5 1990

UK, US insurance brokers

unveil \$1.8bn merger plan

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No. 31,165 FINANCIAL TIMES LIMITED 1990

### orld News Germany.

### ance ignore soar past ill to end K beef ban

Germany and France ared last night to have red the European Commis-s call to revoke their bans ritish beef and now face prospect of legal action russels.

deadline of 6pm yesterday y the Commission for the rval of the embargoes, sed in response to fears bovine spongiform encepathy, or "mad cow dis-passed without any

ch plans 'naive' Komarek, a Czech deputy e minister, describing the 's economic strategy as e". attacked his Govern-'s stance and predicted aster with "galloping tion" and "hundreds of sands of memployed".

#### it for Turks

ers of Turkey's proscribed at Communist Party ed to have the party legal-n a test of the govern-'s commitment to political lisation. Page 2

many on agenda ary status of a united Ger-' is expected to be high e agenda of James Baker, cretary of State, and rd Shevardnadze, his t counterpart, when they in Copenhagen today.

rets chief quits hief of Belgium's secret e resigned after coming criticism which oted Interior Minister Tobback to dismiss his

y as completely useless. esa snubs paper Walesa, Solidarity leader, ithdrawn his support zeta Wyborcza, a leading aper set up last year to ite the movement's candi-before national elections.

adian deadlock ian Prime Minister Brian ney continued efforts lge the leaders of his nent of con:

ck. Page 4 ner Rouge snub r Rouge leader Khieu nan boycotted the openssion of Cambodian talks in Tokyo, dimming of a breakthrough in the 11-year civil war.

mir coalition bid k Shamir, israel's Prime g a new coalition next of right-wing and reliparties led by his Likud :hat would end a near nonth government hia-

#### to meet

ne Liberation Organisaidership is expected to 1 emergency meeting adad within 24 hours and "a firm Arab unisition towards Washingaid increasing calls in ib press to boycott US

#### olice hold 6 1 were detained by

n London in connection cent Irish Republican ttacks on the British ad. Page 12

Ukrainian chief an Communist Party adimir Ivashko was second-largest republic ore than 100 radical ; walked out of parliaprotest.

Olav 'critical' 's King Olav, 86, the idest reigning monrovered some movea paralysed leg but d in critical condition tal after a stroke.

# 2,900 to new record high

to close with a strong gain and another record high for the Dow Jones industrial average. The 30-stock Dow average, which closed above the 2,900 mark for the first time on Friday, rose a further 34.22 pointsto 2,935.19. Advances led decimes by an 11-4 margin on the New York Stock Exchange, where volume was a moderate 174 million shares.

day. In Tokyo, early gains mostly slipped away and the Nikkei average finished slightly higher than Friday's close but below its opening level. Back page, Section II

communications company, is expected to announce the sale of the Hay Group, the US-based management consultancy, when its interim results are published this afternoon. Page 25

place. Page 24

of Mirror Group Newspapers, is in the market to buy a leading daily newspaper in the American Midwest. He said the publication, which he refused to name, was valued "in the mid-hundreds of mil-

NIPPON Telegraph and Telephone Corporation (NTT), Japan's biggest telecommunications company, confirmed that equipment made by Motorola of the US will be the sole standard for the Japanese digi-tal mobile phone system.

US companies, urged increase American investment in the Soviet Union. He told them: The potential for collaboration is enormous." Page 4

FUJI Photo Film, Japan's lead-ing maker of photographic film, edged up worldwide net profits 3.9 per cent in its first half to April 20, to reach Y44.12bu (\$291.6m) although

sales grew by a faster 13 per cent to Y508.8bn. Page 27 MORGAN Stanley, Wall Street securities company, is splitting its investment banking divi-

sion in two, separating client-based business from merchant banking operation. Page 30 INDIAN industrialists have

icy announced by the Govern-ment last week, saying that substantial abolition of controls has removed bureaucratic delays and encouraged invest-

Companies and Securities Commission (NCSC), the coun try's securities watchdog, which barred Mr Alan Bond's companies from voting through its planned change

and technology group, said it is selling four of the six divisions of Systron Donner, its California-based subsidiary, to BEI Electronics of San Francisco for \$22m. Page 31

PAKISTAN'S economy has of targets set by the International Monetary Fund under an economic reform programme, Page 6

# **US** stocks

**Business Summary** 

US stocks lurched back to life after a slow start on Monday

MARKETS: Italy fell on profit-taking, while optimism about inflation lifted Spain; most other European bourses were closed for the Pentecost holi-

Saatchi & Saatchi, the troubled

SOVIET parliament approved an important law designed to bring enterprises one step closer to a genuine market

ROBERT Mexwell, publisher

SOVIET President Mikhail Gorbachev, meeting with the chief executives of the largest

STATOIL, Norwegian state oil company, has uprated esti-mates for the country's total oil resources by 17.5 per cent.

comed new industrial pol-

BOND Media, operator of Australia's Channel Nine television network, met with opposi-tion from the National

of control. Page 27 THORN EMI, the music, rental

year but is likely to fall short

# Gorbachev revisits past and seeks help for future

PRESIDENT Mikhail Gorbachev must have felt a frisson of nostalgia when he greeted former President Ron-ald Reagan over breakfast in San Francisco yesterday, writes Lionel Barber in San

The meeting was a throw-back to an earlier, more predictable era when superpowers were superpowers, when the collapse of Communism collapse seemed a distant pros-pect and the US President could call the Soviet Union an

WILLIS FABER of the UK and Corroon & Black of the US have agreed to merge to create the world's fourth largest insurance broker-to be called Willis Corroon with market capitastion of £1.08bn

(\$1.83bm).

The merger is part of the trend towards concentration in

trend towards concentration in insurance broking. Other major British and American brokers have established transatiantic links through a series of takeovers in the 1980s.

Mr Roger Elliott, chairman of Willis Faber, said the merger was necessary because insurance broking was becoming more competitive, clients wanted global insurance protection and the primacy of the London insurance market had declined.

After the merger, to be com-pleted in September, the share-holders of Willis Faber and

The Soviet Union has agreed in principle to open diplo-matic relations with South Korea. Hyun Hong-choo, South Korean ambassador to the UN, said he hoped details would be ironed out in talks due last night between Presi-dent Gorbachev and Presi-

"evil empire" and get away For Mr Reagan, 79, and Mr Gorbachev it was a chance to remind the world of their joint

Corroon & Black are expected to hold 60 per cent and 40 per cent respectively of the issued share capital of Willis Corroon. This reflects the market cap-

italisation of the two compa-nies which on June 1 was

2685m for Willis and £395m for

Corroon. Pre-tax profits for 1989 were £62m and £35m

respectively, and combined revanues totalled £608m.

The merger will be carried out by an issue of new Willis Faber shares on the basis of 7.8

Willis Faber shares for every Corroon & Black share. Mr Ell-

iott will become executive

chairman of the new company, while its board will be drawn

equally from the two compa-

The two companies'

operations will complement each other as neither has sig-

By Kevin Done, Motor Industry Correspondent, in Derby, England

dent Roh Tae Woo of South Korea. Moscow is anxious to strengthen trade links with Seoul and, in return, South Korea hopes Moscow will lead on North Korea's President Kim II Sung to open talks on reunification

contribution to bringing the Cold War to an end. For Nancy Reagan and Raisa Gorbachev, the old sparring partners, it was a chance to

Willis Faber, the second larg-

est UK broker, had in the past depended on US broker John-

son & Higgins for its US retail

business while Corroon & Black had no business outside

The UK broker said it had

wanted to enter the US retail insurance market, which gen-erates half the world's insur-ance premiums, and achieve a better balance between its UK

and overseas earnings.

At the same time Willis needed to increase its profits from retail and consultancy business as opposed to whole-

sale insurance broking dealing directly with companies

seeking insurance rather than

other brokers - as well as servi-cing the worldwide insurance needs of multinational compa-

Mr Elliott said he expected

few redundancies as the two

the US.

hang up their gloves. "We've always been friends," said Mrs

The gathering came at the start of a hectic day for the Soviet leader. His schedule included meeting the cream of California's high-technology company executives, a visit to Stanford University and its renowned business school, and a historic mini-summit with President Roh Tae Woo, of South Korea.

It was the first visit to the area by a Soviet leader since

companies overlapped very lit-

tle. The new company will have 11,000 employees. He said that Johnson & Hig-

he sau that Johnson & hig-gins, with whom Willis has long had links, was "upset" when told of the merger. The move is also likely to prove a lethal blow to UNISON, the worldwide confederation of

brokers designed to service multinational business, of which Willis has been a key

Nevertheless Willis had clearly come to feel that its

reliance on foreign retail bro-kers for much of its business

had become a straitjacket, denying the UK company access to retail insurance mar-

kets abroad. Corroon & Black

similarly wanted to expand outside its own domestic mar-

Lex, Page 24; London stock

ket in the US.

Nikita Ehrushchev's explosive US tour in 1959. At that time, the Soviet Premier lost his temper when informed that safety concerns ruled out a trip to Disneyland. "What's the matter?" Khrushchev shouted. "Have you got a rocket launcher there, or has there been a cholera epidemic?" During his tour, Khrushchev ridiculed "the slaves of capital-

ism." These days, however, Mr Gorbachev is wooing private US business with a fervour bordering on desperation.

#### FT begins printing edition in Japan

The Financial Times today begins printing its International Edition in Tokyo for distribution in Japan, other Asian countries and Australia. The addition of Tokyo, the newspaper's fifth printing site, extends its strategy of being available in business centres throughout the world on the day of publication. The FT is already printed in Frankfurt, West Germany, Roubaix, near Lille in northern France; and in Bellmawr, New Jersey, as in Bellmawr, New Jersey, as well as in London.

The edition produced for Japanese readers will be virtually the same as that distributed in the US and in other Asian countries.

Asian countries.

However, the front page will carry a panel in Japanese highlighting articles appearing on other pages.

Mr David Palmer, chief executive, said: "Tokyo is one of the west's three paids five or the page of the page of

the world's three major financial centres, and Japan is the world's most dynamic industrial economy. That is why the FT is making Japan its first Asian printing centre."

Japanese readers would be

Asian printing centre."

Japanese readers would be able to buy the FT eight hours before it was available in Europe, he said.

Readers and advertisers in Japan would become familiar with the FT as the leading medium for pan-European advertising, Mr Palmer said.

Japan is already the FT's second highest source of advertising revenue outside advertising revenue outside

Sales of the International Edition account for about one-third of the newspaper's total institutions are believed to circulation of nearly 290,000, and 35 per cent of the FT's advertising revenue comes from outside the UK.

Japan's economy back on course, Page 22; Editorial comment living with success, Page 22; Adding up the security.

#### talks with bankers on plan to sell off assets By Roderick Oram

in New York

MR DONALD TRUMP, the heavily indebted New York real estate investor who epit-omised the hyped-up deal making of the 1980s, said yesterday he was holding discussions with his main bank lenders on restructuring his debt and the possibility of selling off large chunks of his assets.

Bankers close to the negotia-tions said Mr Trump's creditors had grown concerned about the health of his real estate, casino and airline empire since reports of a financial squeeze began to surface

last month. Borrowing some \$2bn from banks and raising another \$10n in the junk bond market, Mr Trump bought or developed some prime properties in the 1980s. However, cash flow from them appears to be falling about \$40m a year short of debt service payments.

He is believed to be up to

date with his debt payments, but his lenders are worried he will find it harder to service his loans in coming months, particularly if his Atlantic City casinos fail to meet their ambi-

tious goals.
The possibility that the lead bankers might order Mr Trump to conserve his scarce cash by withholding a \$30m bond interest payment due in mid-June wrought havoc yesterday with Mr Trump's junk bonds.

The price of bonds issued to finance his recently opened \$1bn Taj Mahal casino in Atlantic City tumbled while those of his other issues fell less steeply. In its first full month of operation the Taj Mahal has generated less reve-nue than the \$1.3m a day it needs to break even.

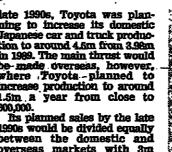
In recent days Mr Trump has been locked in long meetings with representatives from his four main bank lenders, Citi-corp, Chase Manhattan, Bankers Trust and Manufacturers

The US banks, using normal lending principles, had already reduced their exposure to Mr Trump by syndicating their loans to foreign banks. British, have participated.

Several recent attempts to raise cash appear to have failed. The much touted sale of his huge motor yacht for \$110m has foundered and he has also failed to persuade lenders to 22; Adding up the security remortgage the only two real equation, Page 23; Eastern promise for the FT, Page 23. Continued on Page 24

#### TOYOTA, the leading Japanese car maker, is planning to increase its worldwide vehicle production by nearly a third to fam units a year by the late 1990s, Mr Eiji Toyoda, group chairman, disclosed yesterday. World's third largest vehicle maker behind GM and Ford. I are very it produced SM late 1990s, Toyota was plan-ning to increase its domestic Japanese car and truck production to around 4.5m from 3.98m in 1989. The main thrust would be made overseas, however, where Toyota planned to increase production to around from US and western European car makers about existing heavy overcapacity of more Last year it produced 4.55m cars and commercial vehicles compared with worldwide 1.5m a year from close to hs planned sales by the late than 8m units a year in the vehicle factory sales of 6.34m 1990s would be divided equally world car industry, Toyota is stepping up its challenge in the 1990s to General Motors and Ford for leadership of the 7 Ford and 7.9m by GM between the don The US vehicle makers are overseas markets with 3m coming under pressure from sales in Japan and 3m abroad. Japanese producers in their Other Japanese car makers are also expanding their over-Speaking at the ground-breaking ceremony for Toyopanese already account for more than 25 per cent of car sales, and their challenge is also set to increase sharply in

Toyota plans world output boost



seas production bases, with new car plants already under development by Toyota, Nissan and Honda in Europe.



Eiji Toyoda: challenging GM

### Administrators freeze deposits held at B&C's bank subsidiary

Mr Toyoda said that by the

By David Owen and David Waller in London

THE newly appointed administrators of British & Commonwealth Holdings, the UK financial services group, said yesterday that £300m (\$504m) of deposits with British & Commonwealth Merchant Bank had been frozen. The Securities and Invest-

ta's first European car plant - a £700m (\$1.1hn) facility with a

200,000 unit annual capacity to be built near Derby in central

ments Board, which regulates the UK securities market, ordered investment firms on Friday to withdraw client money from the bank. The freeze will prevent that.

A leading cleaving bank yes terday accused the board of undermining the willingness of the banks to lend to BCMB last week by issuing this directive. The board said it decided to

issue the notice only after it became clear the banks would not provide a £100m standby facility to BCMB. A number of other banks agreed with this wersion of the story yesterday.

Meanwhile, it emerged that
the Bank of England, led by
deputy governor Mr Eddie
George, had made strengous attempts to persuade the banks to provide the standby facility. The Bank said that it was

Many Japanese were

ambassador Michael

regarded his job as

Armacost (left) said he

that of America's "first

surprised when US

content for the matter to be resolved by creditor banks exercising their individual commercial judgments.

It is understood that the Bank is not intending to withdraw BCMB's banking licence,

but it may prevent it from accepting new deposits.

It is thought that the board is now contemplating putting restrictions on financial insti-tutions' ability to place client funds with their own in-house banks. Nearly half the deposits with the bank were client money placed there by other parts of B&C. The balance is said to be wholesale market

deposits of up to 210m placed by European banks, UK corpo-rations and high net worth individuals. Mr John Gunn, B&C chief executive, said that he was "very sad" that B&C had been unable to "effect its restructur-ing plans as an independent company. It is very distressing that such a small minority can cause the group to be put in value may be more difficult to achieve. All at B&C are very willing to co-operate as fully as possible." The administrators said

BCMB depositors would rank as ordinary creditors adding that it was not clear how long deposits would remain frozen. They stressed that the bank remained solvent and assets exceeded liabilities by £90m. The administrators said their intention was to rehabili-

they had been appointed as

going concerns.
In New York, Oppenheimer B&C's US fund management subsidiary, announced plans assets in excess of \$14bn.

# tate the companies to which

for a management led purchase of the business and all its operations. It said it had been working on a proposals, in con-junction with its investment adviser, Morgan Stanley, for some time, to the knowledge of B&C's advisers. It plans to make a specific proposal "in the very near future." Oppen-heimer and its affiliates manage over 40 mutual funds with Editorial comment, Page 22; Lex, Page 24; Background,

#### MARKETS

New York close \$1.6805 (1.681) \$1.6755 (1.6845) DM2.8375 (2.8525) FFr9.555 (9.6275) SFr2.41 (2.4175) Y255.75 (254.75) £ Index 88.9 (89.1) COLD

New York: Comex Aug \$362.4 (363.5) N SEA OIL (Argus) Brent 15-day Jul \$16.25 (16.30)

STOCK MIDICUS New York close DM1.6877 (1.699) SFr1.432 (1.4375) Y152.45 (151.95) DM1.6935 (1.683) FFr6.7025 (5.715)

Tokyo close: Y152,42 US closing rates Fed Funds 84 % (816) yleid: 7.944% (7.939)

FT-SE 100; 2,379.0 (+7.6) FT Onti 1,893.4 (+11.0) FT-A All-St 1,169.47 (+0.4%) FT-A World Ind New York close DJ Ind. Av. 2,903.40 (+2.43)

S&P Comp 367.40 (+4.24) **Tokye:** Nikkei 32,925.37 (+34.25) LONDON MONEY 3-month Interbanic closing 154% (151<sub>8</sub>) Little long gift future: Sep 8432 (842)

### To see beyond THE TURBULENCE OF YOUR BUY-OUT 3i offer you THEIR VISION oday's economic turbulence creates opportunity. Now is the time to seize it. If you are looking towards a management buy-out, The buy-out process can sometimes be rough, but by having completed around 1,000 of them, 3i can offer you the know-how you need to sail successfully through yours and beyond. 3i has the capital and depth of experience to help keep you on course well after your buy-out. To find out more or discuss with 3i the buy-out you foresee, call 3) pic is regulated in the conduct of vivestment business by SIB.

3i offer you their 28-page brochure, "3i Management Buy-outs: Your guide to success in gain- 3 ing ownership of the business you now manage." It takes you step-by-step through - and beyond - your & buy-out, and comes without charge or obligation. Simply complete below and post to 3i plc, Management Buy-out, 91 Waterloo Road, London SE1 8XP.



investors in industry Telephone: (Day)...

After Tokyo's stock market fall, the | Washington defends its all-out is back on course .... I comments Living with success; Les-Affairs: East Asia - adding up the eguation ... by the revolution has been going since Khomeini died .... ; Willis Faber; Hearts; NFC; UK econ-

A look at European Investment Loca-.Section (# New South Wales .

trade offensive in Japan

Inti. Capital Markets \_\_\_

that role.

\$356.25 (362.75) Chief price changes yesterday: Page 25

\$ index 67.9 (67.5) 3-mo Tressury Bi Long Boad: 103½ (103½) yield: 8.421% (8.441)

SFr1.4385 (1.4355)

Y152.60 (151.30)

commercial officers in Japan. He has certainly been fulfilling

Monte Carlo - 13,14 and 15 June 1990

The Venture Capital profession worldwide has an appointment in Monte-Carlo on the 13 June next. Its theme: The Globalisation of Venture Capital. More than 250 participants are expected to attend this gathering of professionals, organised by La Cote Desfossés and EVCA, EVCA's annual symposium brings together experts from the fields of start -up and development capital, buy-outs and buy-ins. Three full days of debate will allow you to identify today's major trends in the most important venture capital markets, especially in above the line investment.

Program

Overview status of Venture Capital in Europe Ch : Dr. Jos Peeters (Benevent) Trends in the European VC Industry Ch : M. Daniel Toulemonde (Euroventure France) Recent Developments in Eastern Europe Ch. : Mr. Matts Andersson (Sitra)

General Development in Europe Ch: M. Pierre Martinet (Pallas Venturs) Trends, Problems and opportunities in US Ch : Mr. Tony Lorenz (ECI Ventures) Ch.: Mr. Richard Onlans (BBHQ)

Exit Opportunities

Ch: M. Georges Ghosn (La Cose Desfossés)

Other speakern : Louis Themberger (Lyon Vinence et Industrie) ; Peier Earl (Branwood Earl) ; Carol Econody (Pymienifal Vei Philippe Chande (Partech Americans) ; Robert D. Parry (Margusthalor Ventures) ; Renew Mazzolini (LBO France)...

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Notice to Warrantholders of

#### Sapporo Breweries Limited

U.S.\$100,000,000 1 5/8 per cent. Guaranteed Bonds due 1992 with Warrants to subscribe for shares of common stock of Sapporo Breweries Limited (the "Company")

Notice is hereby given that Sapporo Nousan Kakou Ltd., a wholly-owned subsidiary of the Company, will be merged into the Company on 1st July, 1990. The merger was approved by the shareholders of the Company at the shareholders' meeting held on 29th March, 1990. Pursuant to the Commercial Code of Japan, the merger is expected to be registered in the commercial register of the Company in April 1991.

Upon the merger, no shares of the Company will be issued and consequently no adjustment of the Subscription Price will be made.

> Sapporo Breweries Limited 10-1, Ginza 7-chome, Chuo-ku, Tokyo, Japan

5th June, 1990

#### **EUROPEAN NEWS**

# A campaign of fear and food shortages

Judy Dempsey on the mud-slinging that has marred the first free elections in 45 years

RS LYUDMILLA EASTERN EUROPE Atanasova is fed up. Every morning, she is out on the street by six o'clock queuing for milk. If she left it any later, the meagre supplies would be snapped up. She then queues for newspapers. But not

or much longer.

"I am so disgusted, both with the food shortages and the terrible election campaign. I was very excited about the elections." tions. But every time I read the newspapers, I just feel sick. The two main parties have turned the media and the campeign into a slanging match. I've had enough with all this petty bickering."

That in large part is the essence of this campaign as Bulgarians prepare to elect their first free parliament for

more than 45 years. The ruling Bulgarian Socialist (former communist) Party which is led by the uninspiring Mr Alexander Lilov who was dropped from the politium by the former leader, Mr Todor Zhivkov in 1983, is confident it will win.

Few Bulgarians can give a rational explanation for this confidence except to say that the BSP has at its disposal a large communist party machinery which gives it a huge advantage over the opposition.

**ELECTS** 

Bulgaria

thorough reform or purge among its ranks. Old party functionaries still run the villages and small towns. This explains why peasants will not say publicly for whom they will vote. After four decades of repressive communist power. the fear has yet to disappear. Even the country's worst economic crisis for many years - for which the BSP must

shoulder some responsibility has not dented its confidence.

It is not just because the shops are bereft of the most basic items which amoys conomy was so mismanaged under the former regime that it is only now that reliable statis-tics are coming to light.

For instance, industrial production has stagnated and actually contracted by 8 per cent during the first quarter of this year. "We are now witnessing economic stagilation," says Mr Ognan Pishev, an economic adviser of the Union of Democratic Forces, the largest

of the opposition movements which groups together a mot-ley collection of 16 parties. Hard currency earnings are likely to drop as well because over the past few months the authorities have diverted exports to the domestic mar-ket. The Soviet Union, once an important market for Bulgar-ian tools and machinery, has cut back orders by 17 per cent.
To cap it all, the \$10bn owed to
western financial institutions
is according to the statement of the statement

is equivalent to \$1,500 for every man, woman and child. Those wretched statistics, however, rarely figure in the

ection campaign. Instead, the BSP says that it is fit to run the country because it overthrew the Zhiv-kov regime last November, has embarked on the reforms and because it has changed its

The new image has apparently obviated the need for the BSP to take the blame for the neglected infrastructure and the mistakes of the past. Indeed, it even refuses to bring to justice Mr Stojan Markov,

Mr Stojan Ovcharov and Mr ognian Doinov, the triumvirate who, under Mr Zhivkov, recklessly introduced measures and indirectly helped which hampered economic

It even hesitates to put Mr Zhivkov on trial. "Zhivkov said he will defend himself which growth. means he could name names that could touch those in the present BSP leadership," according to one prominent lit-

erary critic.

Despite this legacy, the BSP has tried to convince the workers and the large peasant population that the Union of Democratic Forces is not fit to rule.

"We never had the chance to participate in normal political life so our competence could never be proved," said Mr Zheljo Zhelev, chairman of the

Despite this, the UDF has made tactical errors in the campaign. It has allowed sections of the public to forget that Eco-Glasnost, the UDF's that Eco-Glasnost, the UDF's environmental "arm," was one of the country's first independent groups to raise the alarm over the appalling state of the environment. It was Podkrepa, led by Mr Constantin Tranchev, who in the late 1980s fought and was imprisoned for the defence of the workers.

These groups provided the nucleus of the opposition which in 1989 placed consider-

the Zhivkov regime for its can-tinuing abuse of human rights and indirectly helped more reform-minded communists into toppling the ancien

regime.
Today, the UDF struggles to keep its ungainly ship affect. It has to contend with the and nationalist/anti-ethnic Turkish wing in the movement. It also has to contend with differences on how the economy should be tackled without causing undue hardship for the population.

It has, however, one main advantage over the BSP. Its

main support comes from the younger generation, the inicilectuals, and the large towns.

That energy and support could make the UDF into an effective parliamentary opposi-

Unless, of course, it took up the repeated offer by Mr Andrei Lukanov, the Prime Minster, to form a coalition with the BSP, even if the BSP happens to win the majority of seats in the new constituent assembly.

Sections of the UDF balk at the invitation. But Mr Inka.

Sections of the UDF balk at the invitation. But Mr Lukanov, who is the mainstay and only beacon of the BSP, needs such talent and consensis if Bulgaria is to emerge from the long, dark shadow of the Zhivkov era into the democratic light.

#### Turkish Communists seek | European security talks legality for their party

By Jim Bodgener in Ankara

LEADERS of Turkey's proscribed United Communist Party yesterday applied to have the party legalised. Their aim is to force the Government to hasten the abolition of the articles, plus and the problem of the articles. articles in the penal code which outlaw Communist par-ties. The application will also test government commitment to political liberalisation. Communism has been banned in Turkey since the republic was founded in the 1920s. An official application was

the Communists nor funda-mentalists have significant filed in Ankara yesterday by Mr Haydar Kutiu and Mr Nihat sargin, both of whom have recently been released from jail. They were arrested in November 1987 on their return from from self-imposed exile in western Europe. The two lead-

another which outlaws reli-gious parties. Yet although the issue has frequently been before the cabinst, no action has been taken. President Tur-gut Ozal has repeatedly expressed nonchalance about lifting the bans, saying neither the Communists nor funds-

popular support At a news conference yester-day, the UCP leaders said the party would fight for human rights in Turkey and open debate about the Kurdish mes. pate about the Kurdish ques-

# reopen today in Denmark

By Hilary Barnes in Copenhagen

THE MILITARY status of a Mr Baker and Mr Shevardunited Germany is expected to be high on the agenda of Mr James Beker, the US Secretary of State, and Mr Eduard Shev-ardnadze, his Soviet counter-part, when they meet, together with other foreign ministers, at the 35-nation Conference on Security and Co-operation in Europe (CSCE) which meets here today.

However, the month-long meeting will deal principally with human rights issues and will aim to draw up rules for protecting ethnic minorities in

rule of law.

Ministers will be in the Dan-ish capital for the opening see sion today and tomorrow. This will be the first opportunity for

nadze to brief colleagues on last week's Washington sum-mit between Presidents George Bush and Mikheil Gorbachev.

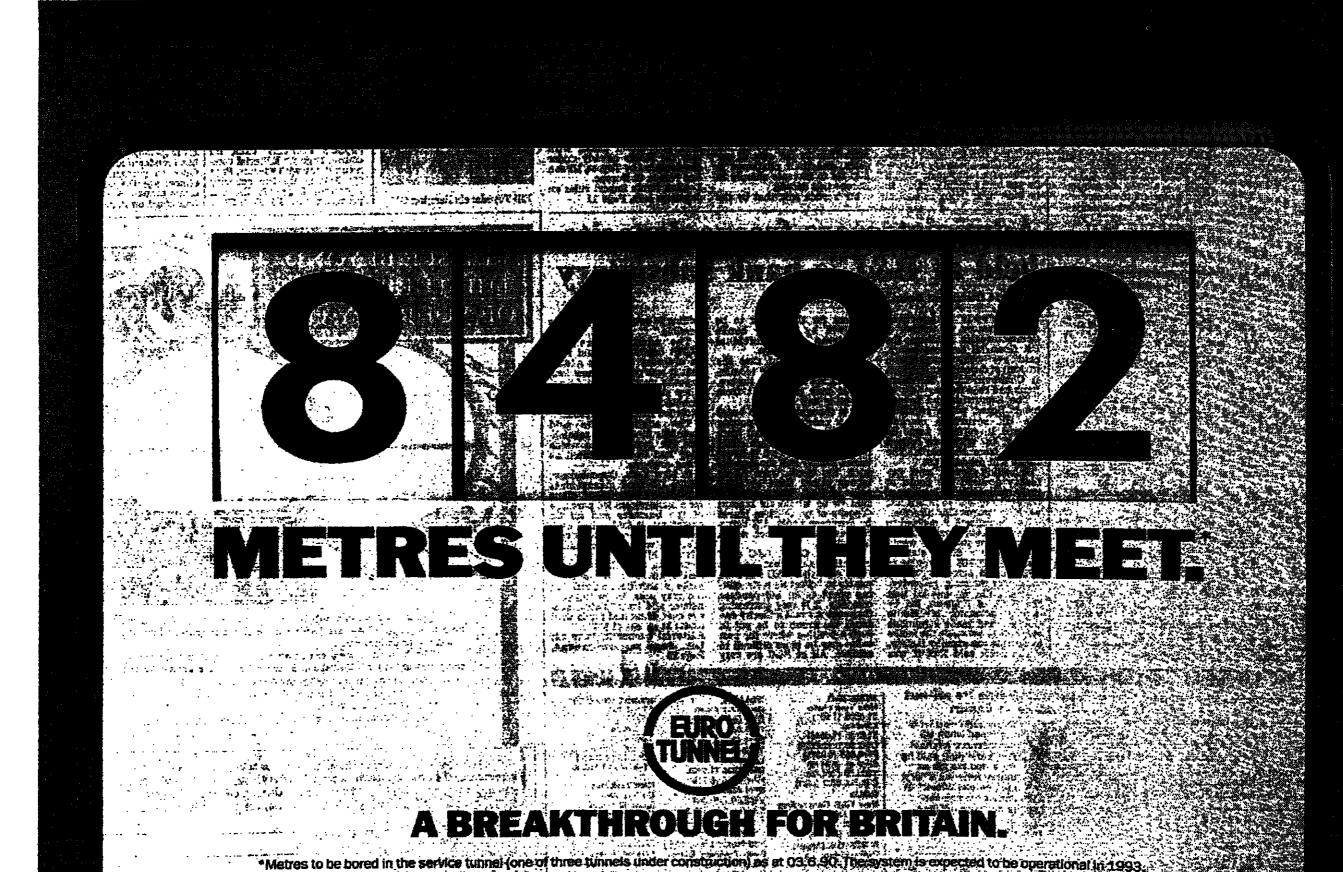
The latter's proposals in Washington for new European security arrangements could bring a CSCE summit to the centre of the international dip-lomatic scene over the next few months.

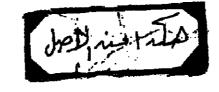
The human rights confer-

ence in Copenhagen is the first since the dramatic changes in eastern Europe over the past year. There is therefore consid-erable Danish optimism that important progress can be made towards a declaration of democratic rights and the rule of law, including the right to free elections.

The Financial Times (Europe) Lat.
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt.
am-Main I: Telephone 069-73980, Fax.
069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, at members of the Board of Directons, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London Printer, Frankfurter Societzeta-Druckerel-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridgs, London SEI 9RL. The Financial Times, London SEI 9RL. The Financial Times, London SEI 9RL. The Financial Times, London SEI 9RL.

Registered office: Number One, South-wark Bridge, London SEI 9RL. Com-pany incorporated under the laws of England and Wales, Chairman: D.RP. Palmer. Main sharebolders: The Finan-cial Times Limited, The Financial News Limited, Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Celar, 101. Tel. (01) 4297 0521; Fare (01) 4297. 0629. Editor: Sir Geoffrey Owea, Printer: SA Nord Ecksir, 15/21 Rue de Caire, 59100 Roubaix. Cedex 1. ISSR: ISSN 1149-2753. Commission Parishre No 6780ED.





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Global Consections

But one thing in

ISION IN UKRAINE AND SIBERIA

**EUROPEAN NEWS** 

Michnik: in the way

out with

**Solidarity** 

newspaper

By Christopher Bobinski

MR LECH WALESA, the leader

of Solidarity, has withdrawn his support for Gazeta Wybor-cza, a leading newspaper set up last year to promote the movement's candidates before

On Friday Mr Walesa

dropped another long-standing supporter, Mr Henryk Wujec,

from the key post of secretary to the Civic Committees,

which have fought national

and local elections for Solidar-

Yesterday the Gazeta Wyborcza commented that Mr

Wyborcza commented that Mr Wulec had been an ally of Mr Walesa's since the 1970s but that he had "not supported his candidacy for President". The way Mr Wulec had been dismissed, the paper added, "would have been in place in a monarchy, and an absolute one at that".

The newspaper is owned by a journalists' collective and Mr Walesa, who had told aides at the weekend to write to Mr

national elections.

Walesa falls

B.TUESDAY II

total long Today ... Less to c. ting to com the bow to

hertichto . SEVERTAL : Maile ou potente: Martine : Bales. the reserve Andre

artes the BEDDE: the in-Beilgar. tong dark Market.

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rions in 45 orbachev faces strike threats **Bills** bitil.,

uentin Peel in Moscow SIDENT Mikhail schew returns to the t Union today from his nit meeting in Washingacing the threat of new a in two vital parts of his e, the Ukraine, and the as coalfield in western itical strikes were called

sterday in the Ukraine, Mr Vladimir Ivashko, the nunist Party leader, was d president of the republew parliame more than 100 democratic

yote was taken only nationalist deputies led out of the Congress of ies in protest, and thou-of nationalist demonstraathered outside the par-nt building, chanting as against the party

Meanwhile, reports from the Kuzbas, the huge coalfield where last summer's mass miners' strike was launched say that industrial and social tension is rising sharply because of worsening shortages of foodstuffs.

Mr Alexander Melnikov, the conservative Communist Party leader in the region, admitted in an interview yesterday that "the situation in the region may become really explosive if the Communist does not take the Government does not take urgent measures to satisfy workers demands."

He said there was a complete power vacuum in the region, and food supplies were being denied by the agricultural regions of the Russian repub-lic. No meat was being delivered from Krasnodar, Voronezh, Lipetsk, Stavropol and Tambov, all traditional suppli-ers. The region was also short of pork, poultry and eggs because of inadequate supplies

"No one really has power in the region," he told Pravda, the Communist Party newspaper. "The Soviets have been reelected, but an executive arm still has not been formed. Re-elections are under way in the

party organisations."

Mr Metnikov is regarded as a leading conservative in the rul-ing party, and he is under grave threat from the Union of Workers of the Kuzbas, based on the miners' strike committees of last summer. Candidates from the independent union swept the board in the last local elections.

In the Ukraine, Mr Ivashko is also seen as a conservative representative of the old party apparatus, although a more pragmatic one than the dis-credited former leader, Mr Vladimir Shcherbitsky.

His election, by 278 votes to 52, after 108 deputies walked out, was greeted by an instant strike call by a leader of Rukh, the Ukrainian nationalist

"The results of this election were just a farce," said Mr Vyacheslav Chornovil, chairman of the Lvov regional council in Western Ukraine, now a nationalist stronghold. "It is time for the workers to show their strength. This is the time for strikes."

### loslems set their sights on Mecca

MOSCOW babushka's white hair, syes and purple pensioner's scarf to clue that she was a Moslem, longvisit Mecca.

Alia Abdulovna Rizhenkova, a Tarslem, stood outside the Soviet capinly mosque last weekend demanding th to travel on a pilgrimage to Saudi 1. "If I go to Mecca once, I will return and at peace," said the retired con-

was surrounded by dozens of male ters from the far-flung regions of than and Daghestan, who are in w this week to press their case for ited travel to Mecca.

are demanding our rights; maybe are demanding our rights; maybe protest in the street, or even go on r strike, but we will solve this probmehow or another," said Mr Abbas ov, an engineering graduate from wn of Kizilyurt in Daghestan.

Soviet Government is allowing up to Maybane to travel to Mayora this 10 Moslems to travel to Mecca this is part of new freedoms under Presi-Mikhail Gorbachev's perestroika

ns go, saying it cannot afford the currency to pay for their food and modation in Sandi Arabia. 150-strong protest delegation wants

s. But it will not let more of its 50m

The Government is allowing up to 1,500 Moslems to go on the Hajj this year, writes Leyla Boulton. But there are 50m of them in the Soviet Union

meeting with Mr Boris Yeltsin, the hugely popular Russian president. It also plans to lobby the parliament of the Russian Federation, the Soviet Union's largest constituent republic, which extends to Astrakhan and Dagnestan.

It is the duty of any Moslam who is in good health and can afford it to go on the Hajj (pilgrimage) — which lasts about 10 days every July — at least once in a life-

"Perestroika has given us possibilities, but the periphery of the Soviet Union is in a very bad situation," said Mr Kebedov, a co-founder of a new Islamic Revival party. The embryonic party, which has called a founding congress for June 9-10 in Astra-khan, aims to promote Moslem rights, including travel to Macca, and the freedom to publish religious material unbindered. As part of a campaign to suppress Islam, Stalin in 1935 banned pilgrims from going

to Mecca, and in recent years only 15 hand-picked Moslems a year were allowed

to have 600 supporters travel with it, while only 1,000 Moslems are allowed to carry

conditions there. We can't let our people beg or sleep on the streets like African Moslems," he said, revealing a flashy gold watch as he waves his hand in the air.

### lian referendums on hunting nullified by low turnout

RITIES in favour of restrictions on hunting ne use of pesticides in nd referendums in Italy een nullified by absten-over half the electorate

This is the first time that the results of Italian referendums will have fallen for the lack of an adequate turnout, and the setback could well deter pres-sure groups in future from

Environmentalists were last night deploring successful proabstention campaigns by the hunting and agricultural lob-bies as damaging to democracy, while many party politi-cians were privately content at

the collapse of a mechanism which most regard as an unwelcome source of pressure on parliamentary prerogatives. Preliminary figures suggested that some 43.3 per cent of the electorate voted.

According to an Islamic quota system of 1,000 pilgrims per million Moslems, the Soviet Union is entitled to send up to 50,000 pilgrims to Mecca. "A trip to Cuba costs Rbs1,500 and they are asking us for Rbs11,000 to go to Mecca," says Mr Kebedov. "The Dynamo soccer team is allowed to be 1500 consenter transle with 16 and 1600 consenters transle with 16 and 16

out their holy duty."

The spiritual leader in charge of the Moscow mosque, Imam Ravil Gainutdin, said he had asked for an increase in numbers but understood the Government's

shortage of hard currency.
"I have been to Mecca and I know the

The protesters outside his mosque, how-ever, dismissed official concerns about their well-being as a sham. "What business is it of theirs, why such concern? If they open the borders, we can go by car or on foot and take our own food. We don't need anybody to worry about us," exclaimed Mrs Rizhenkova.

### Dangerous line to travel

Patrick Blum analyses Portugal's poor safety record on both the railway and road networks

train crash in Lisbon A last week which left two dead and more than 350 passengers injured is a sad reminder of Portugal's poor safety record on railways and roads.

On both accounts Portugal has one of the worst records in Europe. Independent research published a year ago showed that the country had the third largest number of derailments and train collisions in the European Community, with the second highest proportion of fatal accidents after Ireland. The situation on the roads is no better. Bad roads, drunken-

ness, old vehicles and poor driving produce the worst road accident rate in Europe, wellahead of Greece and Spain. Last week's rail accident

between two trains serving the congested and overworked commuter lines between Sin-tra, Cacem and Lisbon is the latest of several disasters, the worst being in 1985 at Alca-fache, in the interior, in which 54 people died and more than 130 were injured.

In last week's accident, one train rammed into another The move comes as Mr Wal the move cames as mr wal-esa continues his drive towards winning the country's presidency, and he evidently sees the Gazeta Wyborcza and Mr Adam Michnik, its editor, as an obstace. that was stationary outside small side station at 8.45am at the height of the rush hour. An inquiry was immediately launched by the authorities The message from Gdansk yesterday indicated that the Solidarity leader had stopped short of sacking Mr Michnik, which had been his original amid conflicting claims over the probable technical or human causes for the accide

sion of the inquiry it will do little to reassure commuters. In recent years there have been many accidents, including derailments on the services in and around Lisbon, as well as warnings by professional groups that conditions were becoming increasingly danger-

but whatever the final conclu-

Since the main Sintra line was electrified in 1957, the number of people commuting into the capital has risen dramatically: more than 250,000 people use the Sintra-Lisbon services every day, many in

appalling conditions. Repeated cancellations, delays and recurring strikes have on occasion caused commuters to revolt with passen-gers stepping on to the lines to block all traffic in protest. At the beginning of May, a newly formed commuters asso-

ciation started collecting signatures for a petition to President Mario Soares to draw attention to the "chaotic conditions" on the suburban lines. Investment on these popular lines has taken second place to that on more prestigious inter-

city routes such as the smart, air-conditioned Alfa express train linking Lisbon and Oporto. A national railways modernisation plan foresees investments of Esc225bn (\$1.5bn) for the period 1988-1994, but much of that will be on the main intercity lines. Investment this year will be about Escsohn (\$530m).

FTER last week's acci-A dent, government and railways officials said that plans to modernise Lisbon region services will be speeded up. Trains will have more carriages, stations will be modernised and safety will be improved with the introduction of automatic speed con-

trols on the lines. Travel on the roads can be equally dangerous, despite large investment. A study made in 1988 by the European Transport Ministers conference shows that Portugal had 1,071 fatal road accidents per 1m

vehicles, almost four times the rate in West Germany with 309 fatalities, twice that of Spain with 612, and higher than Greece - the second highest in the EC - with 810. In Europe, only Yugoslavia had a worse record. According to insurance statistics the frequency of road accidents which had fallen between 1980 and 1986 has been

₹ HE Government is and has spent heavily with the help of EC funds in new roads and road improvements on links between the towns of the interior and along the coastal strip, but much

more needs to be done.

The Government is spending about Esc120bn a year on transport infrastruture, roughly 60 per cent of which goes on roads, but improving infrastructure alone will not solve the problem. Unsafe cars that would not be allowed on British, West German or French roads, are ignored by

the police. But cultural attitudes and driving habits also need to change. The Government is introducing tougher penalties for drunk driving, but except when there has been an accident there are practically no checks on drivers' alcohol lev-

The teaching of driving is poor, and it is popular folklore that until quite recently a driving licence could be obtained with a small payment. Meanwhile, young and old drivers take extraordinary risks. Wearing seat belts is not compulsory in the towns and is con-sidered eccentric. There is still much machismo at the wheel.

		ROAD CASUAL	.TIE\$	
Country	Pop. per km²	Veb. per 1,000 pop.	Deaths per 1m pop.	Deaths per 1m veh.
W Germany	246	473	146	309
Spain - T	77	296	181	612
France	101	451	217	482
UK	236	364	99	272
taly	190	425	132	311
Netherlands	352	371	105	282
Portugal	108	246	264	1,071
Sweden	17	417	101	241
JSA	26	730	190	261
Japan .	322	413	100	241

# Michnik asking for his resig-nation, evidently decided that the move would be resisted. As finance grows global, so grows the press. Stimatchi Securities Co. Hil extends congratulations and the Financial Times on the inauguration of brinting in Tokyo Global Connections, Strength Where You Need It Financial Science The rapidly changing worlds of finance and capital make predictions difficult. But one thing is clear, computerized financial analysis is here to stay.

Yamaichi's Financial Science now features an integrated financial information system-Integral-25that combines the power of advanced market and mathematical theories, global database access and personal computer flexibility. Yamaichi's Financial Science system has applications in every field of Yamaichi's activities. From corporate finance and M&A assistance to brokerage, portfolio advice and fund management, Financial Science provides greatly enhanced decision-making support. For example, effective asset management is possible through Integral-25's stand-alone functions designed to aid asset allocation into global markets and currencies, securities analysis and evaluation, portfolio management, risk management and hedging. Financial Science is one more reason why, around the world, around the clock, Yamaichi is a one-stop source of strong, vigorous and innovative international financial services.



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#### AMERICAN NEWS

# Bush managerial style brings modest success

Peter Riddell reviews a US-Soviet summit which lacked the usual political theatre

PRESIDENT George Bush takes a managerial approach to his job. He is the chief executive officer presiding over a mature inter-national group rather than a dashing entrepreneur full of

Some US commentators have regarded the Bush/Gorbachev meeting as a disappointment. But that is to misunderstand Mr Bush's style and the changed operation of international diplomacy. Mr Bush treated his talks as

a managerial occasion rather than a grand theatrical event full of drama. It was a time to complete some major issues set in train at Malta six months ago, to give a fresh push to others to be resolved later this year and to advance, though not conclude, broader political

The Washington talks were part of a continuing process rather than some special, oneoff event. It is perhaps time to drop the word summit since this implies an unusual, rarely-scaled peak. It is not that talks between the US and Soviet presidents have become irrelevant. They still matter. The two countries – especially the US – continue to have a wider involvement than any others in the world, if no lon-

ger a deciding voice.

What has changed is the frequency of international contact. The future security of Europe is not going to be decided in some Congress of Vienna or Versailles confer-



The mayor of San Francisco, Mr Art Agnos, left, present President Gorbachev with the freedom of the city yesterday

ence, but rather by a whole series of discussions, of which the Washington talks were merely one, important episode. Mr James Baker, the US Sec-retary of State, and Mr Eduard Shevardnadze, the Soviet For-eign Minister, will barely have said goodbye in Washington before they see each other again today in Copenhagen at a human rights meeting of the 35-nation Conference on Secu-

rity and Co-operation in

Europe (CSCE). They will meet again later this month under the umbrella of the "two-plustalks on the external serects of German unification. In both cases Mr Hans-Dietrich Genscher, the West German Foreign Minister, will be closely involved.

Judged by this standard the

Washington meetings were a modest success. They provided a focus for the signing of 14 agreements and 11 joint state-

ments, some long stalled during this 1980s, such as the nuclear esting accord. The meany virtually eliminating to the states stocknown of the meany of the states are unifor break, through at any other time, while the trade treaty and the martitude and strates agreements open the say to substantially increased commercial to talks also injected reasured momentum into the

The talks also injected reasoned momentum into the sim of commetting by the end of this yearstraties to reduce both strategic injudes. There are still major bindless, but they are not hadronountable.

There were no break-through on Lithuania and the future security of Europe after German unification. And there are some least in Washington about the danger of a protracted period of stalemate and uncertainty if Mr. Gottachev's domestic political position is too weak for him to make concessions.

But where seems to have been some movement forward. President Bush put forward a nine-point pathage (agreed with the Boan government) of reassurance shout the future size of a united German army, a more formal structure for the CSCR process, changes in Nato's tole and West German led economic kid for the Soviet Union.

The Sovietz finaged the idea

not resolve these issues, but The Soviets floated the idea they did advance the debate of a political agreement between Nato and the Warsaw

Gorbachev woos US investors Pact, which Mr Baker said Pact, which Mr Baker said might ultimately help the Soviet Union accede to full membership of a unified Ger-many in Nato. He said this sug-gestion was "very vague", but was worth exploring — and will be discussed at the meet-ing of Nato foreign ministers in Soctland later this week. By Barbara Durr in

SOVIET President Mikhail Gorbachev, meeting in Min-meapolis with the chief execu-tives of more than 100 of the largest companies in the US, urged increased investment in in Scotland later this week.

This flavour of ideas being kicked around sums up the carrent stage. Some US officials were reassured by Mr Gorbacher's comment that he did not appropriate the process in the contract of the contract that he did not be the contract that he did not be the contract that he did not be the contract that he carried to be the carried to be the contract that he carried to be the carried his country. "The potential for collaboration is enormous," he

In an apparent effort to calm potential and actual US investors Mr Gorbachev explained at length that the current instability of his comtry was the result of its diffi-cuities in making a shift to a more market-oriented econ-omy.

Mr Görbachev's much-her sided visit to a local farm was weather and he thus concenweather and he thus contentrated on the American business community.

He met with key representatives of General Motors, Ford,

tives of General Motors, Ford, Chrysler, IBM, Coca-Cola, American Express, Westinghouse, 3M and Cargill.

Mr Gorbachev specifically pointed to Soviet interest in investment in computer technology, cars, fibre optics, telephone systems, food processing, rail transport and conversion of weapons factories. Companies that invested now during the country's hard

leader and his reform programme – not least by signing a trade treaty despite congressional doubts. This is in the hope of winning support both for further arms control deals and for agreement on the future of Germany. Totaking in the Soviet Union while Mr. Gorbachey is still in charge.

The Washington talks did not resolve these issues, but now during the country's hard times would be rewarded, he said, while "those who stand on the sidelines will remain observers for years to come We'll make sure that is so."

### **Pressure mounts** on Mulroney over Meech Lake

By Bernard Simon in Toronto

CANADA'S Prime Minister, Mr Brian Mulroney, yesterday tried to nudge the leaders of the country's 10 provinces towards a settlement of the constitutional deadlock which is threatening national eco-nomic and political stability.

Having given the premiers an opportunity to air their views at a five-hour dinner on Sunday evening, Mr Mulroney convened another private meeting yesterday at which specific proposals were to be discussed for salvaging the Meech Lake accord, the constitutional agreement which recognises Quebec as a dis-

tinct society".

The accord, which has become the focal point of tensions between English and French Canadians, must be ratified by all 10 provinces before June 23. Approval is still required from three dissident provinces – Manitoba, New Brunswick and Newfoundland.

If the latest meeting shows signs of progress, the federal government is expected to convene a fully-fledged constitutional conference. In the absence of a breakthrough, however, some observers have suggested that

Mr Mulroney may step up pres-sure on the three provinces by calling off the talks. Such a move would unleash a new wave of uncertainty in finan-cial markets, bolstering the argument that passage of the accord is vital to Canada's economic well-being.
At Sunday's dinner, held in the imposing Museum of Civil-

isation across the river from the Houses of Parliament in the Houses of Parliament in Ottawa, Mr Mulroney is reported to have started proceedings by spelling out the economic damage which could be triggered by a collapse of Meech Lake. The possible consequences include a run on the Canadian dellar higher domas. Canadian dollar, higher domes-tic interest rates and skittishness among long-term inves-

The two main sticking points Mulroney: spelled out his form

over Meech Lake are the lessi status of a provision allowing Quebec to "preserve and promote" its unique position in Canada; and an effort by Mani-toba and Newfoundland to link the accord to reform of the Senate, a long-treasured goal of provinces in western and Atlantic Canada to gain more clout in the federal govern

Quebec has insisted that Meech Lake be passed in the same form that it was man mously adopted by the premiers three years ago. But the hold-out provinces, which have elected new governments since then, are demanding changes in the accord, or at least, a watertight promise of late

In particular, they are unhappy with the provision giving any province a veto over future constitutional reforms. This has raised seas that changes in the compact that changes in the composi-tion and powers of the Senate would in practice be impossible

Senate reform would entail transforming an appointed largely powerless chamber sinilar to Britain's House of Lords, into a more powerful body along the lines of the US Senate with equal representation from each province.



### Argentina reopens old wound of the 'dirty war'

ARGENTINA'S military, in seeking to justify its activities during the "dirty war" of the 1970s, is directly challenging the authority of the democratically elected civilian government

General Felix Martin Bonnet the army chief-of-staff, twice last week sought to justify the armed forces' role during the late 1970s, when at least 9,000 people disappeared and thousands more were tortured in clandestine, military-run jails. Gen Bonnet also suggested that the army would resist attempts to draw it into a growing campaign, backed by the Government and supported

by Washington, against illegal drug trafficking in Argentina. The general, who was The general, who was appointed army chief-of-staff by President Carlos Menem, himself head of the armed forces, is facing stiff opposition within the army over the Government's proposal, championed by Vice-President Eduardo Duhalde, to convert the force from its current role of preparedness to defend Argentina against internal and external threats into an anti-

drug task force.

The army's top staff are under pressure from the lower ranks to force the Government into public vindication of the

military's activities during the "dirty war". Last week ex-General Luciano Benjamin Menen-dez said that President Carlos Menem's October 1989 pardon of so-called "dirty war" officers was "gratitude for having beaten marxist subversion, and not a pacificatory gesture".

Mr Menendez, jailed for almost 50 murders allegedly carried out during the late 1970s, was a beneficiary of the

pardon.

President Menem has promised to free the handful of senior officers still in prison, as well as former Montonero guerrilla leader, Mario Firmenich, by December. Last week,

Gen Bonnet st second stage of the pardon would be a recognition of the armed forces efforts against subversion. Mr Duhalde moved rapidly to contradict Gen Bonrapidly to contradict Gen Boinet's statement, saying that the person is an examption from punishment and not a justification of the crime caining that punishment.

At the weekend Gen Bonnet returned to the fray saying that only a recognition of the armed forces, the in the direct war will sheld the republication greater evils, and will give their the place to those who gave everything for the Motherland.

### Nicaraguans seeking \$350m emergency aid at Rome donor meeting

By.Tim Coone in Managua

Gorbachevs comment that he did not want to put spokes in the whells of unification and by his support for synchronisation between the internal processes of unification and the

resses of milication and the external aspects.

President Bush yesterday reported to his Cabinet and said he had had a very positive response to the summit from Chancellor Kohl, Mrs Margaret Thatcher and other allied lead-

ers with whom he had talked.
Yet much now depends on
President Gorbachev and his
room for political manoeuvre.
Mr Bush has backed the Soviet
leader and his reform pro-

GOVERNMENTS around the world will be asked to dip into their tressuries for Nicaragua their treasuries for ricaragua tomorrow at a two-day donors' conference in Roma. Nicaragua is seeking a total of \$350m (£208.8m) in immedi-ate economic assistance to finance an emergency pro-gramme to revive the war shat-tered economy. A further \$300m will be requested at a second conference towards the

end of the year. The new US-backed Government promises radical reforms to the economy including wide ranging private stimes of states run industries and farms, the return of private banking, tax reform and the country's firm decision to normalise its "firm decision to normalise its external financial relations".

According to a government document to be presented to the Rome configure. Nicaregue's foreign debt now stands at \$9.740n. "equivalent to 30 times its annual exports and four times its GDP".

Commercial bank debt.

The document says that IME. that thems for an IMF super-vised adjustment programme will be established before the end of the year.

The US Congress recently approved a \$300m economic sistance package for Nicara-dal the first \$60m of which egan to arrive last week. The ow Government, however, stimates total external financ-ing needs for 1990 — to stab-ise the economy and to rapidly

in the International Court of Justice against the US, which was initiated by the former Sandinistic government.

Onder a 1986 ruling of the UN court based in the Hague, the US is under an obligation to make reparations to Micaragua for certain breaches of international obligations.

The former government had lodged a claim of \$120m against Washington for losses and damages incurred as a result of

\$908m; with further needs of \$582m in 1991. At a similar donors' conference in Stockholm last year only \$50m was raised out of a requested \$250m. Foreign diplomats in Mana-

gus are equally pessimistic over the prospects of the Rome conference.

Stime modest help will be given but most foreign aid is

boost export output -

going east now. Nicaragua is seen as a US problem," said one European ambassaior. Mr one European ambassador. Mr Enrique Despines, the new For-eign Minister, has Year non-committed fover; Nicaraguan intentions regarding litigation in the International Court of

direct US support for the war in Nicaragua, which lasted nearly nine years.

That and Venezuela signed an agreement yesterday under an agreement yesterday under which Italy plans to invest up to \$1.100 in technological and scientific projects in Yesternels over the next time years Reg-ter reports from Rome The Venezuelan President Mr. Car-los Andrés Bées, agreet the pact during a two-day visit.

#### Search for jurors at start of Washington mayor's trial

A GRIM-looking Mayor Marion Barry of Washington DC, barry of washington be, accompanied by his wife and mother, appeared for the start of his trial on cocaine charges yesterday, a criminal case peppered with sex, drugs and lies, Reuter reports from Washington

A big challenge confronting both defence and prosecution is to find an unbiased jury to try the flamboyant city leader, who is in his 12th year in office and whose exploits have been the subject of intense publicity. US Federal Judge Thomas Jackson barred reporters and the public from the opening don while he read a statement to prospective jurors who also filled in questiomaires to determine their importiality. The normally confident Mr

cocaine use, perjury and con-

Barry 54, one of the best known black mayors in Amer-ica, locked unusually serious as he waved to several dozen photographers while stepping from his limousine. He faces 14 charges of

spiracy involving cocains dat-ing back to 1984, counts canying a maximum 26 years in prison and a \$1.25m (£740,00) dollar fine if convicted on all

He has proclaimed his innocence and charges that the ideral Government trapped his up by luring him to a hotal room on January 18 when they videotaped him allegely smoking powerful crack

It is expected to take at less a week to find 12 people for a jury from an initial group of 250 prospective jurors. Mr Barry has been o

ing running for a fourth four-year term despite his problems and opinion polls show he has a fighting chance against other challengers in a September pri-

mary poll. After his arrest, Mr Bany stepped aside from office temporarily while he underwent treatment in Florida and Georgia for admitted alcoholism and addiction to prescription tranquilliser drugs.

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### Robert Novce: 'Mr Semiconductor'

THEY called him Mr Senteonductor, and the Mayor of Silicon Valley. Dr Hobert Noyee co-inventor of the senteonductor chip, died suddenly on Sunday morning of the home in Austin, Texas. He was 61

Dr Noyce played a pivotal role in creating the semiconductor industry, which provides the building blocks upon which the vast computer and dectronics industries denend. His invention of the "planar process" made possible the manufacture of the first commercial semiconductor chips in the late 1850s. He went on to become the model for Silicon Valley's famed entrepreneurial spirit, co-founding Fairchild semiconductor, the first com-mercial chip maker, and later Intal, which is today the lead-ing-US manufacturer of micro-processor chips, the devices that power personal comput-

Of his achievements, Dr Noyce said two years ago: Tim amazed at how much change we've wrought in the world in the last 20 years. You don't always realise it when you're in the midst of it. It's like climbing a mountain. It's only when you get to the top and look down that you say, Wow, that was a long way we climbed up!" It was indeed a high moun-

tain that Mr Noyce and his colesgues scaled in founding the semiconductor industry. Electronics now represents the



depends upon the ubiquitous semiconductor chip. Honoured over the years with dozens of national and international autonal and international awards, Bob Noyte graciously used every opportunity to further the cause which was to the end his life's mission.

He fervently believed that it was in the best interests of the people of the US to maintain world leadership in semiconductor technology. As chief-

ductor technology. As chief executive of Sematech, the US semiconductor industry's arch consortium, a role he took on in 1988, Bob Noyce dedicated himself to "provide the US industry the domestic capability for world leadership ing" by fostering collaboration within the industry and with

government "Sematech is a good example of Bob's character. Two years

ago, the industry and the gov-ernment urged him to take on leadership of Sematech. He answered the call out of a sense of responsibility to the nation, and met the challenge of getting the Sematech effort rolling," said Mr Gordon Moore, chairman of Intel and a long time colleague. Over recent years Dr Noyce,

who was never without a Marl-boro cigarette, was a frequent visitor to Washington, testify-ing before congressional com-mittees and meeting privately with administration officials to argue the semiconductor argue the semiconductor industry's cause.

He advocated tough action on trade disputes with Japan, federal support of consortia such as Sematech, and government attention to the dep of the "infrastructure" of US semiconductor production equipment and materials com-panies, which have recently become the frequent targets of

foreign takeovers.
In an interview just 10 days before his death, Dr Noyce enthusiastically described the achievements of Sematech. The consortium, he said, had created a new collaborative environment in the US semiconductor industry where equipment suppliers and semiconductor chip makers share information, openly discuss problems and put aside their competitive instincts in favour of co-operation on issues of basic

Sematech has been controversial. It is seen by some as the first step toward a US

"industrial policy". Dr Noyce had come to represent his industry's call for government intervention to prevent the decline of US international

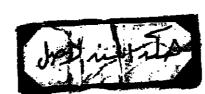
competitiveness.
With his death, the US semiconductor industry has lost its most able champion in Wash ington at a time when it is more vulnerable than ever before to foreign competition and when administration enthusiasm for intervention is at an all-time low.

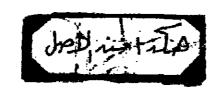
A successor will no doubt be found to take up Dr Noyce's position at Sematech, "but nobody will ever replace Bob Noyce," said Mr Andraw Grove, president of Intel. Among his colleagues, Bob Noyce will be best remembered for his selfless dedication to the semiconductor industry. He threw ideas at other people and let them develop them. He never stepped in front. though he had the right to do said Mr Grove, who him self took on day-to-day leadership at Intel from its

Others described Dr Noy as an inspiration, and a hero. He was a role model for a generation of industry entragre-neurs who have founded some of the most successful come-nies in the US electronics

industry. Robert Noyce will be ren bered by many more for his charm and his ability to debate sharply without ever seeming

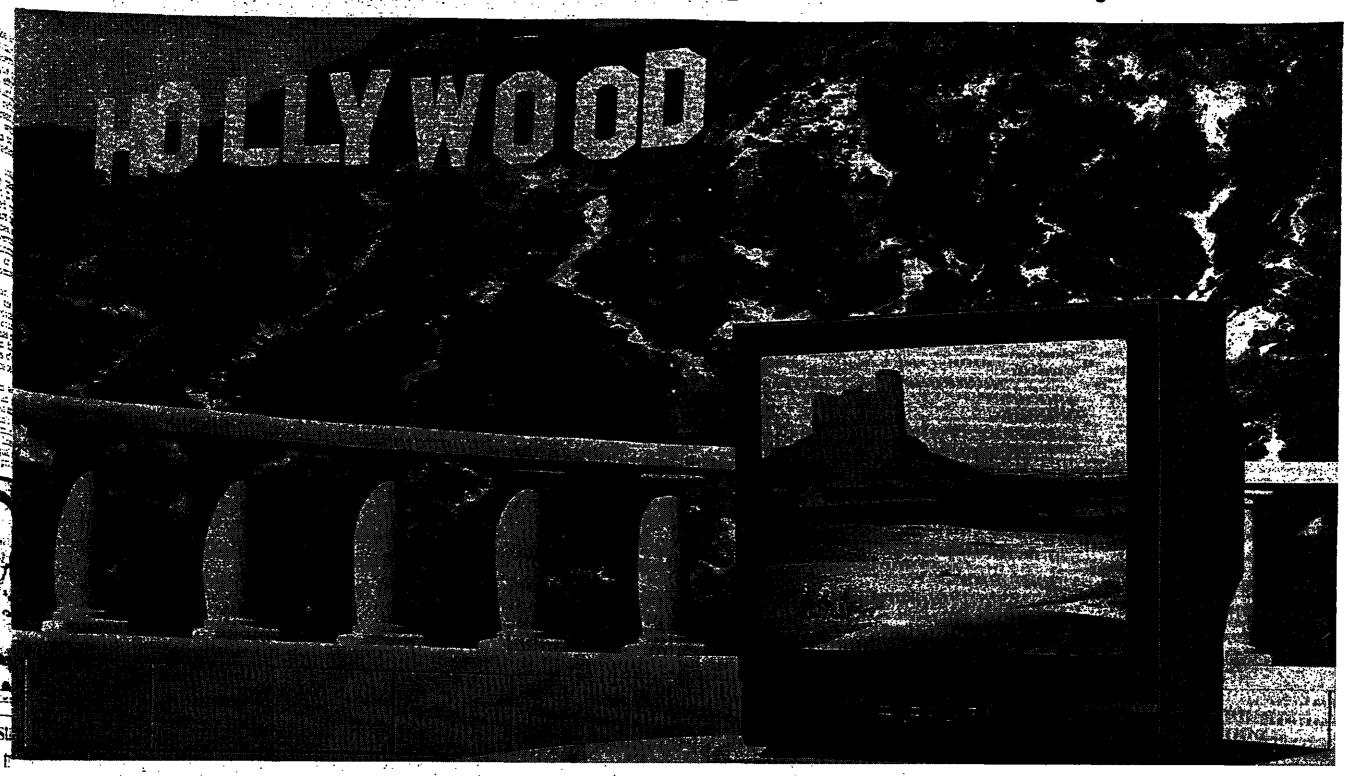
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### Students keep alive spirit of Tiananmen protest

By Peter Ellingsen in Peking and John Elliott in Hong Kong

University defied police in a second night of protests yesterday by flinging bottles out of dormitory windows on the anniversary of last year's military crackdown on China's democracy movement.

Security forces armed with sub-machineguns evicted foreign reporters from the area and sealed off the campus district in north Peking with road blocks. Witnesses said police had beaten a Chinese man outside Peking University, wielding rifle butts as he lay writhing on the ground.

A foreigner was punched in the stomach by an armed policeman just outside one of

the university gates.
Shortly before midnight students started throwing bottles out of their dormitories, an act of political defiance aimed at senior leader Deng Xiaoping whose last name in Chinese rhymes with "little bottle" Shouts and whistles greeted the sound of smashing glass. Earlier, a senior US diplomat

complained to the Chinese foreign ministry about assaults on American reporters who

In Hong Kong, which passes to Chinese sovereignty in 1997 but cannot be silenced by

STUDENTS at Peking 100,000 people staged their sectwo days with a three-hour. candle-light vigil in the colo-

ny's Victoria Park.
"Those who died a year ago today did not do so in vain because they will be remem-bered in China, and the over-seas Chinese will take up the struggle," said Mr Seto Wah, chairman of Hong Kong's chairman of Hong Kong's democracy alliance.

The sentiments were the same at Peking University. Despite attempts by officials to intervene, calls were made earlier yesterday for greater democracy and an end to the dictatorial policies of the Communist Party in demonstra-tions on the heavily guarded campus where last year's mas-sive pro-democracy movement

Despite the overbearing surveillance, students managed subtly to express their feelings. In the university's central triangle, loudspeakers broadcast a song by Police, the UK pop band, which repeats the line, "Every step you take, every breath you make, I'll be watch-

The Government's only official response to the events was a long editorial in the People's Daily which called for "stability above everything else".

Authorities had been "absolutely correct" in crushing the uprising last year, the mouthece of the party said, China's fate was hanging in the bal-ance, and there was "no choice

but resolutely to quell the

In Hong Kong the mood at last night's vigil was the same as on Sunday when more than 100,000 people marched through the centre of the colony. There was quiet mourning and a determination to maintain the spirit of Tiananmen Square and of last year's soli-

darity demonstrations in Hong Kong, the largest the colony has ever experienced.

Despite the protests, the col-ony's stock market hit its highest point since May last year, with the local Hang Seng index

briefly touching 3,200.

The stock market climbed slowly last week to a series of post-Tiananmen Square highs as buyers were encouraged by what were seen as conciliatory words from Peking before the

votes from reading better the anniversary.

Yesterday, the index was almost back to the 3,309 level of mid-May last year when it was first hit by China's upheavals. On June 5 last year, the market graphed by 27 per the market crashed by 27 per cent to 2,093. Last night it fell back to close at 3,153.22

### Taiwan's share prices fall sharply

By Peter Wickenden in Taipei

A PREDICTED technical correction turned into a panic sell-off yesterday, driving Taiwan's volatile stockmarket down 509 points, or 6.4 per cent, to 7348.

After falling nearly 50 per cent from a February peak, the composite index last week increased by 24.66 per cent over five three-hour sessions, its largest recorded weekly

New records for volume of shares traded were set on sev-eral days last week, and average daily turnover shot up by

Pakistan 'still short of IMF

PAKISTAN'S economy has made substantial gains this year but is likely to fall short of targets set by the Interna-tional Monetary Fund under

an economic reform pro-gramme, Reuter reports from Islamabad.

The government economic

survey, published yesterday ahead of Thursday's budget, estimates economic growth at

estimates economic growth at 5.2 per cent for the year to June 30, 0.8 points below tar-get but above last year's 4.8. The current account deficit is set to decline from \$1.93hn in 1988-89 to \$1.7bn (£1bn) this

year, but western diplomats said the Government would fail to meet a key target set by the IMF for reducing the bud-get deficit. Three indicators

are short by a couple of per-centage points, but Pakistan is doing reasonably well and the IMF will recommend that the

programme should be contin-

The survey, covering Prime Minister Benazir Rhutto's first full year in office, gave no budget deficit figure. In return for \$800m in IMP

loans agreed shortly before Ms Bhutto took office in late 1988, Pakistan accepted a three-year programme to reduce the bud-

get and peyments deficits, bol-ster foreign reserves and reduce inflation.

Manufacturing has rebounded this year, growing by 7.9 per cent compared with 4 per cent in 1988-89, despite widespread ethnic and political troubles in southern Pakistan, where industry is concentrated.

ned." one said.

targets'

nearly 100 per cent to \$4.5bn. The recovery brought many small investors back into play and stemmed the massive capital outflow that Taiwan has seen since early this year. More than T\$10bn (£215m) flowed out of foreign currency accounts and offshore funds and back into the stockmarket last week alone, easing recent pressure for the Taiwan dollar o depreciate further, said foreign exchange dealers.

Mr Wang Chien-hsien, the new Finance Minister, hopes to end short-term speculation on

the stock market. But he is now faced with instability and speculation in both the stock and foreign exchange markets as idle funds slosh from one to the other.

Last Tuesday the Central Bank ceased its daily announcements of overbought and oversold positions on the foreign exchange market, and also began posting the T\$/US\$ exchange rate after every change instead of every five minutes in order to dampen speculation.
To combat an economic

also cancelled a requirement that local banks redeposit half of their certificates of deposit in the central bank on matu-

This is expected to bring a drop in interest rates and release \$11bn into the system by the end of the year. Analysts said, however, that the easing of credit restrictions will not bring a new boom to the stock market, as a double-digit drop in May exports has increased basically bearish sentiment.

slowdown, the Central Bank

### Indian industrialists welcome easing of investment controls

INDIAN industrialists have welcomed the new industrial policy announced by the Government last week, mainly because the substantial abolition of controls and regulations removes bureaucratic delays and encourages invest-

with small and medium-six industries and to a limited extent with foreign invest-ment. Decisions on two imporment. Decasions on two impor-tant issues, which were held in abeyance by the Indian cabinet when it approved the policy, are awaited.

These are investments by companies covered by the Monopolies and Restrictive Trade Practices (MRTP) and Foreign Exchange Regulation (FERA) Acts. These cover the so-called large "monopoly" industrial houses and foreign

The deregulation of investment up to Rs 250m (£8.6m), and Rs 750m in "backward areas", does not affect these two groups of companies, as new investments by them will still require governmental

approval. So far as Indian companies are concerned, all the larger industrial houses will still need government approval for ordinary investment, although they can take advantage of incentives for investment in designated backward areas and companies committed to production for exports. Foreign investment has been made easier if the equity holdIndustrial associations

acknowledge that after this substantial deregulation, about 65 per cent of investment proposals will no longer require government scrutiny and approval.

ing in the company concerned is limited to 40 per cent. In that case, investment proposals will not require government scru-tiny and will thus become

"antomatic". But the main demand by Indian industrialists and for-eign companies is that they should be allowed a majority 51 per cent share. This is rarely allowed by the Government except for high-technology and export-oriented industries and a decision on this has been

Nevertheless, industrial associations acknowledge that a substantial degree of deregu-lation has been carried out and that about 65 per cent of investment proposals will no longer require government

postponed.

scrutiny and approval.
In addition to withdrawal of licensing regulations for investments up to Rs 25m, the main relaxation is that companies established in export-pro-cessing zones or those in the 100 per cent export category can start operations if their plants require less than Rs 75m

These are permitted to self up to 25 per cent of their output in India, thereby opening the large domestic market to their products. For this reason, investments in constructors. investments in export-process-ing zones or units committed to exporting 75 per cent of their output are becoming increasingly attractive to forign comp

Since one of the main objec tives of the liberalisation is modernisation of industry, the new policy has made it easier for industrialists to import

Technology collaboration agreements will no longer require governmental approval
provided royalty payments do
not exceed 5 per cent on sales
in India and 8 per cent on

exports. The new policy also relaxes rules on imports of capital goods and raw materials. New units exempted from licensing requirements are entitled to import plant and machinery up to 30 per cent of the total Imports of raw materials and components up to 30 per cent of annual production have also been permitted.

Substantial incentives have been announced for what are known as "small-scale" and "tiny" industries as well as agro-based industries. This is line with the Government's belief that these are the main instruments for creating jobs.

Rouge chief misses start of talks

Sharrif t()

Perrow Con

KHMER Rouge leader Khien Samphan boycotted yester Samphan beycotted yester day's opening session of Combodian peace talks in the Ispanese capital, further dimming hopes of a breakthrough in ending the 11-year civil war, Reuter reports from Tokyo.

Khien Samphan when were

Reuter reports from Tokyo.

Khieu Samphan, whose guerrilla faction controls the higgest army battling the Vietnamese-backed Phnom Penh Government, left his Tokyo hotel about two hours after the conference opened at a Japanese state guest house several miles away. He returned about two hours later, but declined to say where he had been.

The prime minister of the Phnom Penh administration.

Phnom Penh administration, Hun Sen, has been insisting he will only deal with a single spokesman for the uneasy three-faction anti-government coalition, which is mountaily headed by former monarch Prince Norodom Sibanouk

Japan's Kyodo News Service said Khieu Samphan demanded at preliminary talks the same rights to speak at the meeting as Sibanouk and Hun Sen.

as Sihanouk and Hun Sen.

When his demand was rejected, the Khmer Rouge leader opted to boycott the meeting, Kyodo said. The Japanese Government was now trying to bring him to the negotiation table but prospects looked poor for the time being, the agency report added. There had been hopes that the meeting, scheduled to last two days, would result in a ceasefire pact. In the absence of the Khmer Rouge, however, the chances were severely

diminished.
"The Khmer Rouge always do this, raising hopes and then torpedoing them," said one frustrated Hun Sen side out-

the chances were severely

side the meeting room.
"No agreement would be effective without the Khmer Ronge, because they are very powerful militarily and politi-cally, and have a lot of arms," another Phnom Penh official

The Phnom Penh Government has set as a crucial condtion for any peace settlement a guarantee that the Peking-backed Khmer Rouge, blamed for the deaths of countless thousands of Cambodia ing their 1975-79 rule, cannot return to unfettered power.

Is talks focus a

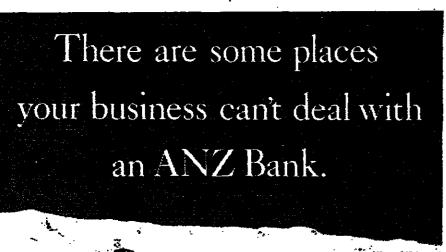
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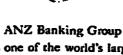
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### Japanese move quickly against CFCs

Eager to be good world citizens, companies leap into action, reports Michiyo Nakamoto

APANESE industry has often been a prime target of criticism from environmentalists. But the rapid, concerted response by Japanese companies to a worldwide move to abolish chlorofluorocarbons (CFCs) points to a growing awareness that it no

Initially the influential Min-istry of International Trade and Industry, reflecting the concerns of industry, dragged its feet in accepting the grow-ing view in the west that the use of ozone-depleting CFCs should be abolished as soon as

Over half the CFCs consumed in Japan are used as cleansing agents in the manu-facturing process of semiconductors, and the type used, CFC 113, is particularly difficult to replace. The ministry was concerned that banning the use of CFCs before substi-tutes could be found would deal a heavy blow to the chip

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industry. The US and Europe use CFCs mostly in aerosols and as coolants, for which substitutes are easier to find. Nevertheless, at last year's international conference on the

environment in London, the Japanese authorities found themselves agreeing that the ished within 10 years. A government directive can

go a long way in Japan. Within months of the trade ministry's statement that Japan would abide by the London proposal, all the top companies in indu tries that consume CFCs announced their own schedules for phasing out use of the chemicals. Several companies have adopted tighter schedules than the international agree-

ment calls for.

The leading semiconductor and electronic equipment makers, for example, are aiming to abolish the use of CFCs by the mid-1990s, several years ahead of the year 2000 agreed at the

London conference. Before restrictions were put into effect, Japan accounted for about 40 per cent of the world's consumption of CFC 113.

Seiko Epson, the computer printer maker, has launched perhaps the most ambitious plan, aiming to eliminate CFCs by 1993. The company already succeeded last year in reducing its CFC use by half, from 1,400 tonnes in 1988 to 700 tonnes. This year it hopes to halve the amount again, to 350 tonnes.
Since no single satisfactory substitute has been found for CFC 113, manufacturers have

had to adopt expensive replacements, such as ultra-pure water, which requires highly sophisticated drying equip-ment, or to reassess their entire production process and eliminate cleansing altogether. Recycling is another interim

In many cases the companies admit that it is no easy task

trying to reduce their use of CFCs so quickly. "Most compa-nies are having a difficult time," Toshiba said.

Many Japanese companies have set up study groups to consider environmental issues and Toshiba has taken a step further by setting up an Envitory with a staff of 60, devote specifically to R&D in environ mentally safe products and in technology for the disposal and recycling of industrial waste.

companies outside their national borders brings them under closer scrutiny by envi-ronmentally concerned con-sumers in the west.

The growing influence of Japanese companies worldwide has also meant that they are increasingly expected to be more responsible members of the world community and can no longer afford to ignore an issue that has taken on such international proportions.

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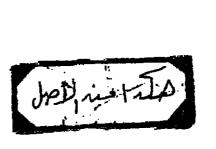
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# Rouge hamir to form Israel refuses to restrict Soviet migrants misses sarrow coalition Nor does Gorbachev's threat perturb the US, write Hugh Carnegy and Peter Richard talks. Nor does Gorbachev's threat perturb the US, write Hugh Carnegy and Peter Richard talks. Rut the Israeli stance is a

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ritzhak Shamir, Israel's Minister, said yesterday tended to form a coalition week of right-wing and ous parties led by his Party that would end an st three-month govern-

premier, holding carepremier, nonting calle-office since a Likud-La-party coalition collapsed id-March, must officially resident Chaim Herzog of tentions by Thursday, or his mandate to form an

h is the paralysis in the factioned, 120 seat Knes-at it has taken Mr Shamir t six weeks to garner the rt of a narrow majority of ers – and there remains uncertainty over the out-despite yesterday's state-Before him, Mr Shimon the Labour party leader, to construct a coalition e five weeks of effort.

n now, Mr Shamir shows enthusiasm for his pro-ve new coalition, which nave only 61 supporters which depends on the ig of two small extreme wing parties more deeply ed to compromise on the

key issue of the occupied territories than his own Likud Mr Shamir knows that such an administration would come under severe external pressure, including from the US and even American Jewish groups, at a time of rising tensions in the Middle East and its razor thin majority result thin majority would make it vulnerable at home.

He has made little secret of his preference for another Likud-Labour union which would be subject to less pressure and could concentrate on the

could concentrate on the urgent task of absorbing the flood of Soviet Jewish immigrants. Yesterday Mr Shamir took care to leave the door open to another broad coalition: "I don't rule out any option until I present the government to parliament."

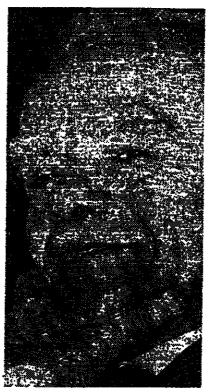
But his hand has been forced partly by continued deep differences with Labour over Likud's refusal to accept US terms for peace talks with the Palestinians (the issue on which they split), and partly by strong pressure from powerful figures within Likud, such as Mr Ariel Sharon, to go for a "narrow" government without Labour.

and hence hold up granting of Most Favoured Nation trade status to

INTERNATIONAL NEWS

Mr James Baker, the US Secretary of State, commented that the Soviet side had made similar warnings, most recently in discussions when he was in Moscow in mid-May. He noted that the US had a different position in "openly and unconditionally" supporting the concept of the emigration of Soviet Jews, while at the same time not sup-porting "the establishment or enhance-ment of settlements in the occupied territories". He said: "We haven't linked the two in the way that President Gorb-achev was suggesting." US officials noted the indirect way in

which Mr Gorbachev phrased his warning, saying he had been "bombarded by criticism" from Arab governments and "some people" in the Soviet Union. The US view is that Mr Gorbachev's comments are more rhetorical than a fullyfledged threat. Indeed, Mr Gorbachev has recently talked of substantially increasing the number of Jews leaving the Soviet Union and easing emigration procedures and problems over flights. Mr Brent Scowcroft, the President's National Security Adviser, noted that, "the Soviets are under enormous pressure from the Arab world. I'm presuming that this is a reaction to it on his part in hopes of getting the Israelis to restrict where immigrants will settle." Mr Moshe Arens, the Israeli Foreign Minister, insists that the issue of Soviet Jews settling in the occupied territories is a red herring used to disguise a blanket Arab hostility to any Jewish immigration at all. Officials never tire of saying that of the tens of thousands of



Soviet Jews to have arrived so far - as many as 250,000 may come this year - only a few hundred have gone to the territories (not including previously

Nor does Gorbachev's threat perturb the US, write Hugh Carnegy and Peter Riddell But the Israeli stance is also ambigu-ous. While saying that no immigrants are directly encouraged to settle across the "Green Line", the Government also says they are perfectly free to do so if they wish. Taken with the clear policy of Mr Shamir's Likud Party in favour of Jewish settlement of the territories, this position in Arab minds amounts to a

> A number of Israelis believe that the Government should take a clear stand against immigrants going to the occupied territories — if only to ensure that vital US help for the huge economic and social task of absorbing them is not put in jeopardy. Yesterday Mr Simcha Dinitz, chief of the Jewish Agency, which plays a leading role in settling the plays a leading role in settling the immigrants, stated as much.

positive intention to use the Soviet newcomers to displace the local Pales-

He said the agency did not invest "one penny" in the territories, and nor should the Government. The priority, he said, was to bring in the maximum number of Jews. "Anything which might endanger that, even if it contra-dicts somebody's ideology, I would push

A shift in the Israeli position would not overcome one fundamental issue, however. When the international community – including the US – speaks of the occupied territories, it includes areas of Jerusalem also captured in 1967 and since annexed. But only a tiny minority of Israelis accept this. The vast majority regard Israeli sovereignty over the whole city as unchallengeable and, by the same token, support the nt of many of the Soviet Jews in annexed suburbs.

### **PLO** seeks **Arab stand** against US

By Lamis Andoni

THE Palestine Liberation Organisation's leadership is expected to hold an emergency meeting in Baghdad within 24 hours to demand "a firm Arab unified position towards Washington" amid increasing calls in the Arab press to boycott US

The crisis threatens to end a 17-month dialogue between Washington and the PLO, and follows an abortive beach attack by a radical Palestinian faction last week.

PLO officials said the leadership would request that com-mitments made during an extraordinary Arab summit in Baghdad last week be implemented. The summit, which blamed the US for Israeli policles "of aggression and expan-sion", committed Arab states to endorsing firm measures against any country which conducted hostile policies towards the national rights of

Palestinians.
PLO officials claim the US expressed such policies by vetoing a Security Council res-olution to send a three-member investigation committee to Israel's occupied territories. The PLO is seeking a mechanism to provide protection for Palestinians under Israeli occupation pending a settlement.

### aris to sign Saudi fset agreement

ICE and Saudi Arabia oday sign an industrial agreement, to counterce part of the sale of early warning frigates by e to Saudi Arabia.

istrial offset has become cy requirement of Saudi e purchases in the past ears, starting with the US of Awacs airborne early og aircraft in 1985, and ritish sale of Tornado it aircraft in 1988.

a case is that the frame-offset agreement is being before the conclusion of ed negotiations on the negotiations, for a contract which could be worth around FFr20bn (\$3.5bn) depending on the options chosen, are expected to last another six to 12 months.

Today's agreement provides for Franco-Saudi industrial joint ventures in which the

joint ventures, in which the French and Saudi partners would each provide 12.5 per cent of the investment capital in equity, while 50 per cent would be funded in 15-year soft loans by the Saudi Investment Development Fund. opment Fund.

Under the agreement, France will aim to promote investment projects offsetting 35 per cent of the frigate contract over 10 years, and including a high technological level.

### St Cr 5 talks focus on debt

S Michiga Nan Slong Hoon in Kuala Lumpur

'NATIONAL debt and range of issues with interna-provided the focus to an tional debt dominating the disral summit meeting of eloping countries, the leld in Kuala Lumpur new group represents a

ng membership from Asia, the Caribbean and America. of the member nations, dia indonesia and Yugo-form the core of the Movement now fallen into disuse

the Cold War. Under 15, economics, finance ade have replaced the y of politics in many of Third World forums. logies should no longer our time," said Dr

hir Mohammad, the Minister of Malaysia and ag backer of the G15. ust now turn our eyes to il-being of our people." group adopted a wide cussion. Neither the Brady Plan nor the Toronto Terms, which unlike the Brady Plan aims to provide partial debt relief, is completely satisfac-

tory to the group.

Those initiatives, the group said in a statement, "need to be enhanced and broadened to embrace all categories of debtor nations and implemented more effectively."

Brazil, Mexico and Argentina are the largest debtors in the

In total GI5 members account for \$600bn, or nearly half of the developing world' external debt of \$1,300bn. The statement said that the G15 is to convene a special body of financial experts repre senting each of the Heads of Government in an attempt to find "common approaches" to deal with the debt.

of 15 des	reloping na	itions extern	al debt 1989
	\$bn	Country	\$bn
	23	Mexico	103
ıa	62	Nigeria	31
•- <sup></sup>	113	Peru	20
•	40	Senegal	4
1		Venezuela	34
	53	Yugoslavia	22

#### Société Concessionnaire 5 Autoroutes de la Côte Basque ACOBA

UA 16,000,000 7% Bonds due 1993

ay 22, 1990, Bonds for the amount of UA 1,920,000 have been 1 in the presence of a Notary Public for redemption on July 10,

allowing Bonds with be redeemable coupon due on July 10, 1991

9530 to 9585 incl. 11106 to 12969 incl. int outstanding: UA 6,480,000

5 previously drawn and not yet presen 135 incl. 172 incl. 7640 to 7653 incl. 7749 to 7751 incl. 159 to 244 to 274 to 246 incl. 277 incl. 8065 to 8067 incl. 8194 and 8195 68 incl. 7275 to 7277 incl. 15864 to 15867 incl.

7515 incl. 7510 to ) 118 incl. nbourg. June 5, 1990

The Fiscal Agent



# LORAY HAS CLOSE TIES TO EUROPE TODAY, **JUST AS IT DID IN 1926**

lacktriangle okyo-based Toray Industries, Inc., may not have high I recognition in Europe, but virtually every Japanese businessman knows its name, and many know its areas of operation.

Technicians from Europe

day flatly refused to bar Jewish

immigrants from the Soviet

Union from settling in the occupied Arab territories, as demanded by Presi-dent Mikhail Gorbachev in Washington

Noting that under Mr Gorhachev, the Soviet Union did not dictate to its citi-zens where to live, Mr Yitzhak Shamir,

the Prime Minister, said: "It is as clear

as daylight that we, who practise democracy and freedom, cannot accept or impose limitations on this or that

category of citizens... And we won't establish ghettos and restricted areas in this country, not for immigrants and not for Israelis."

Mr Gorbachev suggested at a press conference after his summit meeting with President George Bush that Moscow might stem the flow of Jewish emigrants if Israel did not heed calls to

stop any of them settling in the West Bank and Gaza Strip. His comments startled Israelis, who previously believed the Soviet Government would not risk jeopardising relations with the

Once the initial surprise wore off, that interpretation was widely held still to be valid, especially as Washington has linked trade concessions for Mos-

cow to more liberal emigration laws.

In Washington itself Mr Gorbachev's warning is not seen as a new or immediate threat, although, if implemented, it would have a far-reaching impact on

A suspension of emigration would

almost certainly mean that the US Con-gress would block approval of the US-Soviet trade treaty signed last Friday

US and the West by such a step.

Toray began in 1926 as Toyo Rayon Co., Lick, a company making viscose rayon by the shores of Lake Biwa, near Kyoto. That first factory, the seed of Japan's chemical fibre industry, was in large part planned by engineers from the United Kingdom, Germany, and Italy.

Fifteen years later, having put viscose rayon production successfully on stream, Toray used its own technology to develop nylon, the world's first synthetic fibre. Industrial production of nylon commenced in 1951, and was soon established as Toray's principal product.

Nylon was augmented by polyester in 1957, when the production technology for the latter material was acquired from ICI of the U.K. through a licensing agreement. Japan's first polyester was made by Toray in 1958.

In the 1950s and 60s, Toray strengthened its position in synthetic fibres. Technology was exported to the Republic of Korea, Taiwan, and the ASEAN countries to expand Toray's production base.

In 1970, the firm changed its name to Toray Industries, Inc., symbolising its resolve to

A conference room at Alcantara S.p.A.

become a global force in organic chemistry and high polymer chemistry.

Alcantara and Torayca

The year 1970 was a landmark for Toray. That year, Toray introduced Alcantara (known as Ecsaine\* in Japan, and Ultrasuede in North America), an artificial suede. Six prominent designers, including Pierre Cardin, Yves Saint-Laurent and Givenchy showed works based on this material in their autumn collections for 1970.

A product born of a concern for the welfare of animals, it has gained supporters over the past 20 years, and today is even used as an interior fabric in such huxury cars as Maserati. Last March, rising young designer Sybilla impressed the fashion press with her Ecsaine+-based designs.

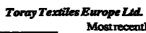
Also in 1970, Toray developed Torayca\*. a PAN-based carbon fibre. The next year, a pilot plant began the world's first regular production of this material, with a monthly output of 1,000 kilograms.

Torayca is made from an acrylic fibre raw material subjected to intense heat to eliminate impurities in a process called carbonisation. In the aircraft industry it is replacing steel and aluminium, and is used by the Airbus Industrie consortium for the construction of tail assemblies of the A310 and A320. Torayca\* is also the only carbon fibre authorised by the Boeing Corporation for use as a primary construction material in their next generation of passenger planes.

#### Joint Ventures in Europe

The new materials mentioned above have been instrumental in Toray's success in Europe. In 1974, Toray entered into a joint venture with Enichem of Italy to manufacture Alcantara through a company called Eganto (now Alcantara S.p.A.) at a plant in the suburbs of Rome. Today, the company employs 377 people, and enjoys sales throughout the EC.

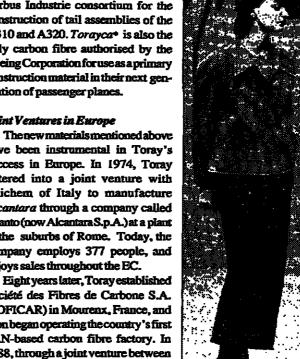
Société des Fibres de Carbone S.A. (SOFICAR) in Mourenx, France, and soon began operating the country's first PAN-based carbon fibre factory. In 1988, through a joint venture between Toray and Atochem, France, Toray increased its interest in SOFICAR. Now Design by Sybilla employing 107 people at its factory in using Ecsai Abidos, SOFICAR is set to become Europe's leading carbon fibre producer.



Most recently, Toray's most significant investment in Europe has been the acquisition of the Samuel Courtauld's fashion polyester-filament weaving business, which operates a dyeing plant in Nottingham and a fabric weaving facility in Manchester.

This firm was established in the 19th century as a silk textile company, the forerunner of modern-day giant Courtaulds PLC. The enterprise was renamed Toray Textiles Europe Ltd., and Toray retained all 545 original employees after the change of ownership in 1989. This was the first acquisition of an existing European manufacturing concern by a Japanese

The polyester technology that Toray acquired from ICI of



continent's leading textile producer. **Contributions** Toray was the first Japanese company to be listed on European stock exchanges, appearing on

the U.K. has thus come

home, having in the

meantime grown both

in technology and vol-

ume. Toray's invest-

ments in time and money

in the intervening years

have transformed pro-

duction of polyester

textiles and films into an

industry with an annual

tumover of some £1,500

million, and extensive

manufacturing bases in

the Far East, Now, Toray

intends to make Toray

Textiles Europe the

the London and Luxembourg stock exchanges in 1964. Ten years later, it was listed in Frankfurt and Düsseldorf, and in 1982 on the Paris stock exchange.



Toray's European Headquarters is located in London. Toray Europe Ltd. (established in

London 1980), Toray Deutschland GmbH

Toray Textiles Europe Ltd.

(founded in Frankfurt in 1986), and Toray Italia S.r.l.(established in Milan this year) round out Toray's three operational centres within the EC.

Since its inception in 1926, Toray has had an especially close relationship with Europe, and the Company is ready to contribute to Europe's economy and society.

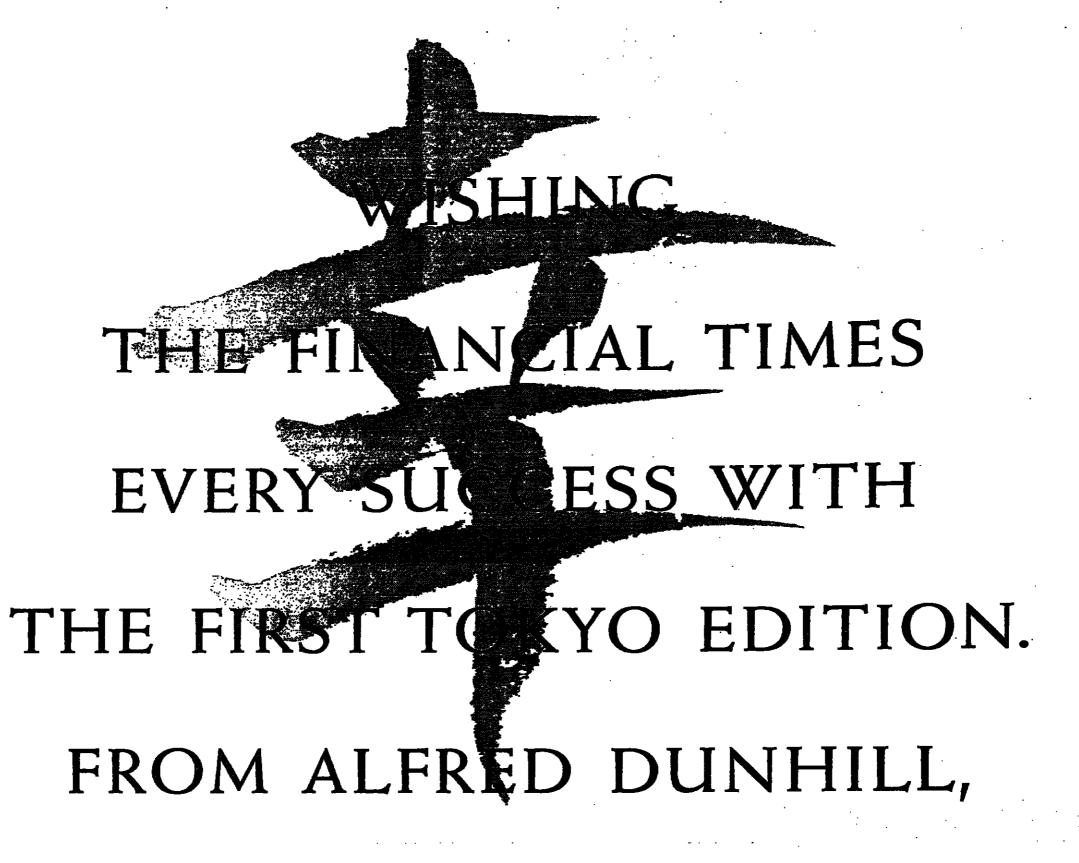
(To be continued tomorrow.)

\* Registered trademark of Toray Industries, Inc.

tries, Inc. (Tokyo) Tel: 03-245-5111. Fax: 03-245-5555 Toray Industries, Inc. (London) Tel: 71-872-8068. Fax: 71-872-8071 Tortry Europe Ltd. (London) Tel: 71-872-8068, Fax: 71-872-8071 Toray Doutschland GmbH (Frankfurt) Tel: 69-290503. Fax: 69-288607 Toray Italia S.r.J. (Milan) Tel: 2-550-12180. Fax: 2-550-12210

Toray Textiles Europe Ltd. (TIEL) Tel: 602-273-751 . Fax: 602-271-840 Société des Fibres de Carbone S.A. (SOFIÇAR) Tel: 59-72-30-00. Fee: 59-72-30-10 ntara S.p.A. Tel: 2-520-30402. Fax: 2-520-30481

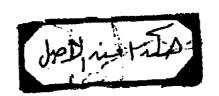
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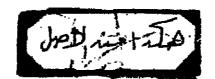


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#### **WORLD TRADE NEWS**

### P urges Brussels Berne Union nd US to solve ırm trade dispute

Peter Montagnon, World Trade Editor

chemicals concern, has I the US and EC to reach mpromise in their dispute world farm reform. This from counterfeiting could be "essential" to the success e Uruguay Round of multial trade liberalisation . BP said in a position r being sent to the govern-s of the main countries

MITUESDAY A

.....

e it operates. own success depended on realth of the world econwhich in turn was based observement of the multial trading system, BP said, is BP's second position r on the round, showing it ne of the few European inationals taking a direct est in the trade talks, and g a number of benefits it

large part of the paper es on the need for farm m, which BP said would ove the business environfor its nutrition and strial alcohol business. urplus of high-cost, high-bridised agriculturally-aced alcohol which threat-the market for industrial ol. It would also remove ort for this product by tries such as Brazil, Saudi ia, Japan and the US. In reform would broaden

ources of raw material for al feeds and lower their s in the EC. Because of BP was opposed to the EC of re-balancing protection e farm sector by compen-g for lower export subsi-with increased import con-

urged the round to pro-an accord to liberalise in services with the t coverage. Noting it was a user and provider, espe-of shipping services, BP my accord should include cial services, transport

telecommunications. e monopolies should be subjected to the agree-. The needs of developing ries should be recognised.

ISH Petroleum, the UK oil climate for investment and technology transfer, and help address the problem of trade in counterfeit goods. Losses to BP

> £20m-£50m a year. But an intellectual property accord should not include compulsory licensing of technology and know-how on non-commer-cial terms to developing countries, as this would discourage

> technology transfer. BP had a special interest in multilateral cuts in tariffs on petrochemicals as part of the round. It was "strongly opposed" to bilateral tariff cuts on trade in these products between blocs such as the EC and the Gulf Co-operation Council countries, as these would distort trade on a world

 The Uruguzy Round should lead to "a firm, irreversible commitment" to phase out import quotas on textiles and clothing over five years, with UK producers given direct government aid, if need be, to help them adjust, the British Importers Confederation (BIC) said.

Launching a study on the effects of the quotas enshrined in the Multi-Fibre Arrangement, Mr John Faulkner, chairman of BIC's Textile Committee, said abolition would save British consumers £1.1bn, equal to 13 per cent of the price of clothing in high-street shops. The study, by Mr Alf Vanags of London University, says this would lead to the loss of up to 40,000 jobs. The savings to consumers and the job losses are slightly higher than the £980m and 33,000 jobs forecast in a separate report by Prof Aubrey Silberston of

Imperial College.

The MFA, which had recently shown signs of becoming more restrictive, was an costly way of supporting the industry. More could be achieved at lower overall cost by a system of cost-effective aid the RIC said.

The should be recognised, his should not mean the term legitimisation of and the Prospects for reform, by no restrictions."

The Multi-Fibre Arrange-ment: A review of the Evidence and the Prospects for reform, by Alf Vanags. British Importers compensed on improved cement of intellectual rty rights would ease the City Road, London ECIV 2NP.

### to approach Moscow on trade arrears

cerns from 32 countries, confirmed yesterday it would for-mally approach the Soviet Union over growing trade payment arrears, Peter Montag-

Affairs, which has kept on servicing debts on time. They say they are increasingly asked to accept guarantees from the myriad decentralised foreign impossible to assess the worth of these guarantees. The Union aims to learn who is authorised to issue them, and impress on Moscow the need for guarantors to have a strong track record, to be eli-gible for Western insurance

schemes. Separately, the Union said exports insured by its mem-bers rose 29 per cent last year to \$293bn, mainly due to extra short-term commercial risk insurance in developed countries. Growth continued in medium and long-term project risk insured in developing countries, accounting for some 20 per cent of member agencies' total business. Claims paid rose marginally over 1988 to \$12bn. Members

aid the BIC said.

The Multi-Fibre Arrange-

THE Berne Union, grouping 40 export credit insurance connon writes.
The decision, at the Union's

annual meeting in Italy last week, follows concern at arrears on debt insured by members and the quality of Soviet payment guarantees. Insured arrears are thought to be only \$200m (2125m)-\$800m, a small part of total Soviet arrears, estimated in the West at up to \$2hn, and now a mat-ter of concern. Officials want to set up a better information flow on the quality of Soviet credit risks.

Usually, export credit agencies are loth to accept Soviet guarantees other than from its Bank for Foreign Reconomic trade organisations that have followed economic reform. It is

with large medium and long-term exposures again showed a deficit on 1989 operations. Failure of some 40 countries to meet their com-mitments under debt resched-uling to one or more member uling to one or more member agencies still caused worry. Members boosted their investment insurance activity. New direct investments underwritten last year rose 10 per cent to \$2.3bn, bringing total investment insurance exposure to \$16.95bn.

### |US defends its trade offensive in Japan Ian Rodger hears how bilateral talks may have improved chances for Gatt success TS AMBASSADORS

enjoy special status in most of the world's capitals, but perhaps nowhere more than in Tokyo, where the US has maintained a pre-eminent position ever since General Douglas MacArthur arrived in 1945 to set up an occupation government. For the most part, these envoys have used their influ-

ence gently, sometimes too The venerable Mr Mike Mansfield, who occupied the post for 11 years until last spring, was often criticised for devoting more effort to repre-senting Japanese interests in Washington.

Thus, many Japanese offi-cials were startled when Mr Michael Armacost, a career diplomat with extensive experience in Japan and other parts of Asia, announced bluntly during his confirmation hearings in Washington a year ago that he regarded his new job as that of the US' "first commer-cial officer" in Japan. Since arriving in Tokyo, Mr

Armacost has certainly ful-filled that role, making speeches to demand open mar-kets and co-ordinating an unprecedented offensive by the Bush Administration aimed at changing Japan's trading

The US anxiety about its trade deficit with Japan seems excessive to those who believe in a multilateral trade system. but Mr Armacost makes no apology for it. "It is very difficult to reduce our deficit with the world without addressing the Japan balance, which accounts for over 50 per cent of the total.

More seriously, critics say the US approach to its trade problems with Japan ignores Gatt multilateral procedures for dispute settlement and puts the US in the position of both judge and jury through the application of the 1988 Trade Act and other legislation. Also, some of the US demands made in the Struc-

tural Impediments Initiative

(SII), launched last summer by the US and Japanese govern-ments in an effort to break down some of the structural barriers to more balanced trade between them, seem to constitute excessive interference in Japan's private affairs. However, by late April, the two countries had managed to produce a surprisingly positive SII interim report, had reached successful conclusions to a number of bilateral sectoral negotiations to open Japanese markets and were still on

speaking terms.

Basking in the glow of these



successes. Mr Armacost staunchly defends his government's approach and suggests that it might even help save

"One of the biggest threats to the multilateral trading system was the growing acrimony in US-Japan trade relations.

"We are trying to address that very directly and in a manner which is consistent. manner which is consistent with our wider Gatt obligations. There is no reason why there should be any inconsistency. We have sought no preferential deals. We expect any tem will benefit everybody, not

just us. "We tend to inherit the role of the anvil chorus while some other countries sit in the background getting themselves in a position to take advantage of these structural reforms. Mr Andriessen [the EC external affairs commissioner] came here a few weeks ago and talked mainly about automo-

Mr Armacost acknowledges that the SII talks result in intrusions in what hitherto were considered a country's private business. "There is a judgment call to be made of far you can go without engaging in micro management. We had structural talks in the past, but they tended to very academic, with no real engagement. That is what we wanted to change. "By and large, the reaction to our emphasis on detail was salutatory. Some regarded this as intrusive but, as we always

said, we didn't think of these sain, we than't think of these ideas for structural change. "They have germinated in Japanese assessments of their own society. Also, the public reaction in both countries has been rather favourable."

Mr Armacost is confident that the rough and tumble of the past few months has not had any negative effects on the overall bilateral relationship. "One would have a difficult

time suggesting that progress on the wider framework was incompatible with pressing hard on trade issues. We have had signal successes working together in the Philippines. floating the European Develop-ment Bank, supporting Latin American democracies. When there is friction in the trade area, perhaps that even increases the disposition to find cushions in other areas to reduce that friction."

Still, as he says, it takes a toll, and he would like to see the Japanese become more able to reform their structures on their own. "On these trade issues, unfortunately, there has been a tendency to rely on foreign pressures to jog a sys-tem in which producer inter-ests are very heavily represented. One of the results of such pressure is to deny Japan credit for the steps it takes and to invite further pressure. I

wish that would change."
The difficulties of negotiating with Japan have driven many US officials and intellectuals to call for various type of managed trade, but Mr Armacost remains unimpressed. "No one has been able to give me a clear explanation of what managed trade would mean other than a lot more they are not well prepared."

### Motorola wins Japan phone race

By Robert Thomson in Tokyo

NIPPON Telegraph and Telephone Corporation (NTT), Japan's biggest telecommunireations company, confirmed yesterday that equipment made by Motorola of the US will be the sole standard for the Japanese digital mobile

phone system.
Mr Haruo Yamaguchi, NTT president, said equipment made by his company had come second "by a small mar-gin" behind Motorola in official tests, but that the choice of the US company's technology "will

not present any problems".

NTT, with 378,000 subscribers, has a 78 per cent share of Japan's mobile phone market, and also makes telecommunications technology. It hopes to continue its dominance over other carriers after the com-mercial introduction of a digi-tal mobile system in 1992.

The choice of the US technology is a breakthrough for foreign suppliers in a key Japa-nese industry, and especially significant in telecommunications, a source of recent trade friction between the US and

Japan.
Mr Yamaguchi said the choice was "based on technological considerations alone" with "no political influence" on the Japan Research and Development Centre for Radio Systems, which conducted the tests under the authority of the

Posts and Telecommunications
Ministry.

"It seems that what we tried
to do with our equipment was
sacrifice a portion of the quality for a lower price. The other party [Motorola] wanted to achieve higher quality. By a very small margin, NTT was ranked second."

Eight companies submitted coding-decoding equipment, a central part of the system, for testing, among them six Japa-nese companies - NTT, Toshiba, NEC, Fujitsu, Mat-sushita Communication Indus-trial and Mitsubishi Electric – and Ericsson of Sweden.

Formal announcement of the

choice is expected later this week, with companies wishing to supply the Japanese digital market likely to seek Motoro-la's approval to use patented technology. Mr Yamaguchi said "no problems" were expec-ted in getting Motorola's help. "I don't think the selection of this technology as a stan-dard will cause problems. I understand the Motorola stan-dard is the US standard, so the choice is good because the US

and Japanese standards will be the same."

#### Britain urged to trade with S America common market

THE first Argentine trade mission to visit Britain since the Falklands war yesterday challenged European business men to invest in setting up a South American economic community with a market val-ued at £500bn a year, Tim Burt

Mr Jose Octavio Bordon. governor of the province of Mendoza and delegation leader, said in London that plans for a project to develop trade between Argentina, Chile, Bolivia, Paraguay, Uruguay and Brazil would offer rich investment opportunities.

The EC could not afford to

ignore trade from countries such as Argentina while preparing for its own single mar-ket, Mr Bordon added. He claimed Argentina had led the way for a similar free trade area in South America.

"We have opened waterways to Bolivia and Paraguay, offering them access to the sea. Argentina is developing a free and fair market."

His administration had begun a privatisation pro-gramme which had seen Giol, Latin America's biggest wine producer, sold to a consortium which was now set to export to

The province's wine industry, which produces 70 per cent of Argentina's wine, was a model for other industries

seeking exports.
Brazil currently accounts for more than 30 per cent of Mendoza's \$206m (£122m) export trade, followed by the US, Chile and Canada.

The only significant European market at present is France, which buys \$6.94m worth of its produce.



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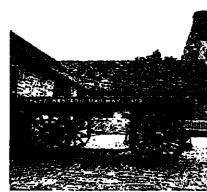


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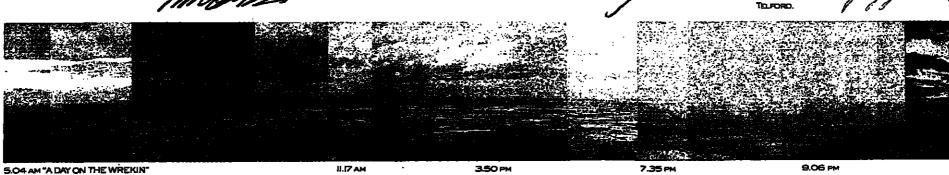
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TOP JAPANESE BUSINESSMEN EXPOSE THEIR VIEWS OF BRITAIN



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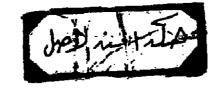
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Event for 6,000 athletes faces cash crisis

### **Rescue operation** begins on World **Student Games**

By Jimmy Burns

A RESCUE operation was underway last night to try to ensure that the World Student Games will go ahead next year in Sheffield after the organis-ing company, Universiade GB Ltd ceased trading amid debts of nearly £3m.

The local authority, Labour-controlled Sheffield Council, was expected to announce last night that it would eventually jointly run the organisation of the games with the Sports

The initiative, which will aim to protect both creditors and sponsors who have already committed money to the games and avoid the national humiliation of the games being abandoned altogether, emerged after weeks of behind-the scenes negotiations involving Government ministers and senior civil servants.

Mr Norman Adsetts, deputy chairman of Universiade GB, said: "The games will defi-nitely go ahead now. There was no more that could be done for Universiade GB." Both the City Council and the Sports Council were confi-

dent of raising the sponsorship necessary to stage successfully the biggest world sporting event outside the Olympics. The Sports Council is expected to take on national and international marketing while

the City Council will focus on the logistics of staging an

event with 6,000 athletes and officials by July 14 1991. Trouble had surfaced publicly in December when the board of Universiade GB dismissed Mr Peter Burns, its chief executive, and disclosed that it had little money left to pay its fifty-strong staff. Mr Danny Simpson, the finance director, subsequently resigned

for personal reasons. An audit and review by two firms of accountants in Febru-ary disclosed that Universiade GB had spent £3.9m in the 27 months to the end of last year, inst revenue from sponsors of only £700.000.

The survival of the games is viewed locally as extremely important for a city which in recent years has been badly damaged by steel industry clo-

#### **Court lifts** convictions on trading

By Robert Rice, Legal Correspondent

to allow stores to trade on Sundays yesterday scored a notable victory yesterday when the High Court overturned trading convictions against two national DIY chainstores, Payless DIY and

W.H. Smith Do-It-All.

The judges, Lord Justice
Mustill and Mr Justice Schlemann, followed the ruling of the European Court last November on a similar action against the chainstore B&Q which said that Article 30 or the Treaty of Rome, prohibit-ing quantitative restrictions on imports between member states, must take precedence over Britain's 40-year old Shops Act which restricts store opening times.
Retailers claim the effect of

complying with the ban on Sunday trading would be a permanent reduction in turnover of their stores, which would in turn reduce the orders which they place with suppliers in other member states and therefore indirectly reduce the imports into the UK from those member states in breach of Article 30. Mr Roger Boaden of the Shopping Hours Reform Council hailed the decision as a major

# London fights import rules on Japanese cars

By Kevin Done Motor Industry Correspondent

THE Government in London yesterday intensified the grow-ing conflict in the European Community over Japanese cars by insisting that Japanese cars produced in Britain or the EC should be excluded from any

car imports. The European Community is currently in disarray over for-mulating a policy for Japanese car sales in the EC single mar-ket after 1992.

future restrictions on Japanes

The UK Government is under heavy pressure to defend the interests of Japanese car makers which are investing more than £1.8bn to develop three car plants in Britain.

Several leading car produc-ing countries in Europe, most notably France and Italy, are campaigning hard to have all so-called Japanese transplants — Japanese car assembly plants based in Europe — included in a future regime for restricting Japanese car sales restricting Japanese car sales in the EC.

At the symbolic groundbreaking ceremony for Toyota's £700m car plant at Burnaston, near Derby, yesterday, Mr Nicholas Ridley, Secretary of State for Trade and Industry, declared that "no obstacles can or shall be placed on the free circulation" in the EC of Japa-nese cars built in the UK."

Toyota cars built at Burnas-ton would be British cars, said Mr Ridley. "Toyota knows that the Government is determine to ensure that no obstacles of any kind will be placed on European Community as mem-ber states begin to dismantle quotas on direct imports of

cars from Japan."

EC foreign ministers are due to begin debate the issue of Japanese imports again later this month but recent talks between the European Commission and the Japanese Government appear to have made little headway in producing a

to both the UK and to France and Italy.

The issue is vital to the UK

to Japanese car makers both to help boost UK car production from 1.3m last year to around 2m cars a year by the mid to late 1990s. Mr Ridley said the record of the UK in attracting apanese investment had been second to none in Europe".

The planned Toyota plant,

the company's first European car plant, is scheduled to begin production at the end of 1992 with output climbing to 200,000 cars a year in the second half of the 1990s. Mr Junji Numata, a manag-

ing director of Toyota Motor and chairman of Toyota Motor Manufacturing (UK), said around 70 per cent of Burnaston's output would be exported chiefly to Kurope.

Mr Numata said Toyota would probably begin exports to Japan in 1994/5. The company is also considering exports from North America to Europe, he said.

Europe, he said.

He added that up to 60 per cent by value of the components to be sourced in Europe would come from the UK. European components pur-chases for the 100,000 cars a

### Soccer fans stunned by plan to merge Scottish clubs

A SURPRISE attempt to create a single soccer ciub in Edinburgh, the Scottish capital, from the rival soccer teams of Heart of Midlothian (Hearts) and Hibernian, (Hibs), yesterday stunned the world of Scottish soccer, outraged Hibs' fans and caught some members of the

Hearts, led by its chairman Mr Wallace Mercer, a leading Edinburgh businessman who has a controlling share stake in the club, is offering £6.1m in cash for Edinburgh Hibernian, which is quoted on the London stock exchange's third market. The offer values Hibs shares at 40p each, against last Friday's closing price of 20.5p.

Hībs' leading shareholder, Inoco, a company controlled by businessman Mr David Rowland, has given an irrevoca-ble undertaking to accept the offer on behalf of its 29.9 per cent stake. But the full board of the club did not know of the offer in advance and was meeting last night to consider it.

Hibs fans reacted with disbelief to the possibility that their club might be sub-sumed by its long-standing rival Hearts. "We've been betrayed," said one of sev-eral hundred fans who gathered anx-iously outside the club's headquarters in Easter Road, Edinburgh, last even-

ing.
Mr Mercer said the offer provided an

opportunity to create a new club which had no "tribalistic bias" – an apparent reference to the fact that Hearts draws its support largely from Protestants in eastern Scotland and Hibs from Catho-lics. He said the merger would give the newly-formed Edinburgh club the strength to perform in any future European league.
It would also reinforce Hearts' pro-

posal, unveiled recently, to build a new stadium on the outskirts of Edinburgh, in association with Mr David Murray, the Edinburgh businessman who is chairman of Rangers football club in

The new club would begin playing in

the Scottish premier league from the 1991-92 season under a name yet to be decided. The Easter Road ground would be closed, Hibs' assets sold off and its debts, estimated by Mr Mercer at £6m,

Although Hibs has been successful on the field, the club has been a source of controversy since its shares were sold to the public at 55p each in October

1988 raising a net 21.6m.
The following February the company raised a further £4.8m in a rights issue, almost all of which was left with underwriters. The hid would cost Hearts

## **BRITAIN IN**



#### Council bid for overseas teachers

The London borough of Tower Hamlets said it will begin recruiting permanent teachers from Australia and New Zealand later on this term in an effort to meet a chronic

teacher shortage.

The borough said it had agreed in principle to use an Australasian recruitment firm Southern Cross Teachers Ltd, to encourage teachers to work in the borough.

Tower Hamlets has been

widely recruiting from abroad, most recently arranging for

the employment of at least 30 teachers from the US and 10 teachers from Bangladesh. estimates that some 200 school children are being sent home for lack of teachers, has also recruited staff from other EC

**BBC** demands explanation

Mr Paul Fox, managing director of BBC Television has TV-am, Mr Bruce Gyngell, for a formal explanation for the breakfast television company's "unprecedented action" in recording and transmitting two minutes of BBC coverag of the Cup Final replay last

month without approval.

The incident is the latest example of the increasing strains being placed on traditional arrangements between broadcasters for 'news access" at a time when large amounts of money are being paid for exclusive rights to sporting events.



#### Pleas for nuclear energy

The public enquiry report on a £1.55bn Hinkley Point C nuclear power station is expected to be delivered to Mr John Wakeham, Energy Secretary, within the next few

days. Nuclear Electric, the state-owned power company, is pressing ahead with its application for the Hinkley plant in spite of a government decision to halt the building of further nuclear stations. at least until 1994, when an economic review is scheduled. Meanwhile, the Engineering

Council warned that up to 2,500 engineering jobs would be at risk if Britain abandoned the nuclear power industry.

#### Former MP charged

A former Labour minister was charged with criminal deception, Merseyside police

Mr Les Huckfield, a former junior industry minister, was charged with two offences of criminal deception under the Theft Act and bailed to appear riore St Helens magistrates

on July 11, police said. Mr Huckfield, formerly MP for Nuneaton, was MEP for Merseyside East from 1984 until 1989, when he became the first Labour MEP to be



#### Accountance income up

The UK's big six accountancy growth of more than 20 per cent for 1989-90, thereby continuing a trend which has seen fees grow by between 20 and 40 per cent for each of the past five years.
Price Waterhouse announced

fees up by 35.2 per cent for the year to March 31, from £222m to £300.1m, whilst Coopers & Lybrand Deloitte, the UK's biggest firm, reported fees up 28 per cent, from £414m to

5531m.
The figures appear to suggest that the big firms have not been harmed by the slowdown in the UK economy

#### Environmental audits urged

Every company is to be urged to carry out a regular audit of its impact on the environment in a policy statement to be publishe

the Confederation of British Industry tomorrow. The policy statement, issued to coincide with a CBI conference in London on the environment, is the strongest endorsement yet given by the CBI to environmental

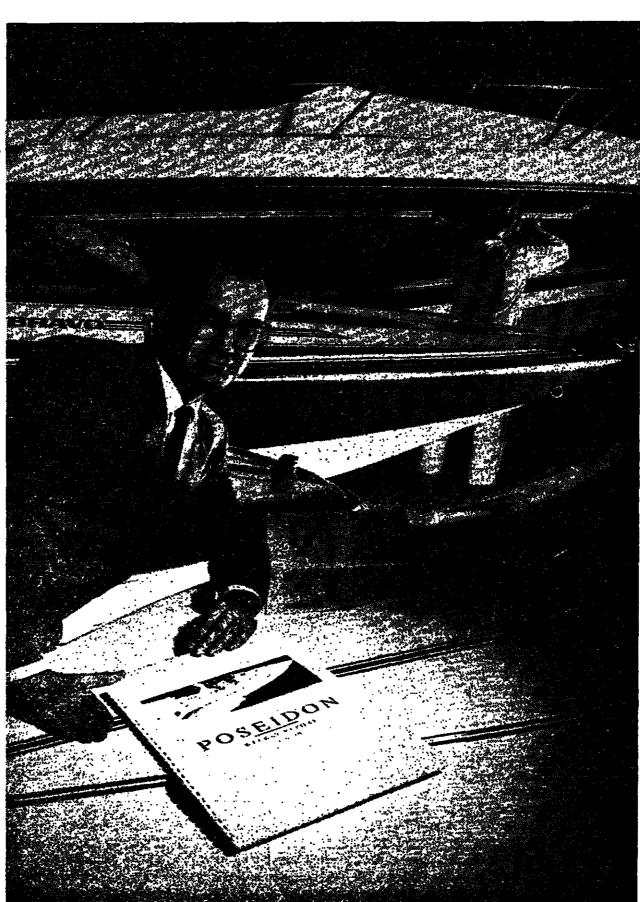
Environmental audits, more common in the US than in Europe, are systematic examinations of the impact of a company's entire operations on the

#### Child labour claim

Children are increasingly being used to prop up the state through cheap, unskilled work, Labour claimed today.

The party's spokesman for children, Joan Lestor, said that the Government was making the situation worse by failing to enforce existing laws and refusing to raise child benefit.

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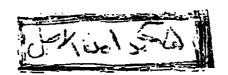
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Defence projects at risk from cuts

### **GEC-Marconi** seeks to build missile for RAF

By David White, Defence Correspondent

GEC MARCONI is understood to be bidding to supply the Royal Air Force (RAF) with an air-to-air missile, worth several hundred million pounds, in direct competition with a trou-

bled British Aerospace project. The GEC-Marconi scheme, based on a French weapon, marks a new departure in the UK missile business. The company has been the traditional supplier of guidance systems for BAe missiles.

The Ministry of Defence aims to revive US Government support for the BAc-led project, the Short Range Air-to-Air Mis-

sile (Asraam).

That missile, designed to replace the US Sidewinder in Nato use, is linked to a US-de-veloped medium-range missile known as Amraam. The Euro-pean-developed missile will also be produced in the US and

Sir Peter Levene, MoD procurement chief, is believed to have tried to persuade US offi-cials not to drop the agree-ment, even though Asraam will not be ready by the 1994 target date. Both missiles are due to be deployed on the European Fighter Aircraft.

West Germany, which was Britain's main partner in Asraam, withdrew last July after numerous difficulties.

In its place, BAe has been negotiating a link with Hughes Aircraft, the US General Motors subsidiary, to obtain a seeker head and guidance sys-tem for the missile. Hughes is the prime contractor on

BAe submitted a new pro-posal to the MoD early this year, reducing the develop-ment and initial production price of Asraam from the original £1bn estimate. GEC-Marconi is understood

to have placed a cheaper rival bid with Matra and Dassault Electronique of France.

That would be based on the MICA weapon the two French companies are developing for France's Rafale fighter. GEC-Marconi is already par-ticipating with Dassault Electronique in making the seeker for the French missile. The two companies made a co-operation agreement last year after a pact between BAe and Thom-

son-CSF, the principal French defence electronics company.

an anti-tank weapon for RAF They are believed to be part of a series of wide-ranging cuts

throughout the armed services including the Royal Navy and Royal Air Force, which were thought to have largely escaped major cost-cutting pro-

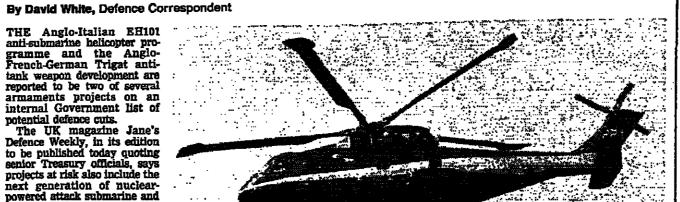
potential defence cuts.

Treasury pressure is build-ing up while the Ministry of Defence (MoD) conduct a re-as-sessment of UK military While arms reductions under

the expected Conventional Armed Forces in Europe (CFE) agreement focus on army equipment, it is becoming clear that the other services will not escape cutbacks in their weapons programmes.

The Treasury scored an ini-

tial coup last autumn when it persuaded Mrs Margaret Thatcher to pull Britain out of an eight-nation warship pro-



At risk: the Anglo-Italian EH101 anti-submarine helicopter

gramme, against the Ministry of Defence's advice. According to Jane's, the MoD and the Treasury recently gave Mrs Thatcher a presenta-

gave Mrs Thatcher a presenta-tion on the EH101 project, both in its Navy version and in its proposed troop-carrying ver-sion for the RAF. This followed a review of an internal report by the National Audit Office. The MoD is seeking on over-all prime contractor for the programme. The helicopter, being developed by Westland

programme. The helicopter, being developed by Westland of the UK and Agusta of Italy, was originally planned for 1991 delivery but is not expected to be ready before late 1994.

The MoD recently raised its estimate of development costs from £835m to £1.1bn.

The new submarine, known

as SSN-20 or W Class, was due to start replacing the Navy's nuclear fleet submarines from Slightly bigger than the lat-

est Trafalgar class, it is due to use the same Rolls-Royce reac-tor as the Trident ballistic-mis-A design contract was placed with VSEL at Barrow-in Fur-

with VSEL at Barrow-in Furness in 1987, and work has already started on "long-lead" items. A first order was originally expected to be placed this year but is now not expected before 1994.

On the RAF's anti-armour weapon, the Treasury has already blocked funds for "risk reduction" work on two com-

reduction" work on two com-petitive projects, both selected by the MoD in 1988.

GEC-Marconi, which is proposing the Brimstone, based on the US Hellfire missile, and Hunting, offering a rather dif-ferent "dispenser" weapon in collaboration with Honeywell of the US and Diebi of West Germany, had each been hop-ing for about \$40m in initial-

ng for about 24um in initial-phase backing.

The Treasury is looking for reduced MoD investment in dif-ferent kinds of anti-armour systems, which it argues will be less in demand once a CFE agreement is in place and the Soviet Union makes deep cuts in tanks and armoured combat

It is pressing the MoD to reconsider the mix of land-based and air-delivered weap-

### Harmony in **EC** training will be 'near impossible'

By Lisa Wood, Labour Staff

HARMONISATION arrangements for vocational training within the European Community was described yesterday as "near-impossible" by Professor Peter Thompson, chief executive of Britain's National Qualifications.

tronal Quantications.

Professor Thompson, whose organisation is supervising the accreditation of levels of competence in British vocational training, was one of several speakers at a conference on traduce and gnatifications in speakers at a conference on training and qualifications in Europe organised by Britain's Trades Union Congress (TUC). Professor Thompson told the conference that as part of the process of bringing about the Single Market, the Community had enacted directives on vocational qualifications. "This is because the understanding and acceptance of qualifications gained in other member states will aid labour mobility and prevent individual countries' national qualifications requirements becomcations requirements becoming an unnecessary barrier," he said.

ne sau.

Professor Thompson said,
however, he could not envisage a trans-European arrangement for training. He added:
"Training arrangements are
built into our finesseid realist. built into our financial, politi-cal and social structures. What can be afforded in Germany and what is possible in Greece, Portugal or Spain is very dif-

Rather, he said, member states had to define levels of competences for different occupations and leave states free to use their own delivery systems to achieve the specific stan-Mr Andre Kirchberger, a

member of the Cabinet of Mrs Vasso Papandreon, the Social Affairs Commissioner, spoke of the work of the Commission on the Action Programme – which follows up the Social Charter – and said the Commission tomorrow would be considering three would be considering three draft directives on atypical employment including part time work, temporary work and sub-contracted workers.



Gerry Adams

### Sinn Fein 'ready' for peace talks

By Jimmy Burns

MR GERRY ADAMS, the president of Sinn Fein, the political wing of the IRA, said yesterday his organisation was ready to talk to the British Government in a hid to move towards peace in the province. In London, meanwhile, six men were detained by police in London in connection with recent IRA terrorist attacks on the British mainland as a 60 year old Catholic man was killed and his two sons seri-ously injured in what may have been a loyalist revenge attack for recent IRA outrages.
Police held the six under the Prevention of Terrorism Act after a series of raids. Mr Adams, who was in London to launch a new book, refused to condemn outright the recent spate of IRA killings against military personnel or to accept a ceasefire which the Govern-ment has suggested could be a minimum pre-condition for

minimum pre-condition for such talks.

Mr Adams, who is also MP for West Belfast, said: "The British Government has never listened to the force of argu-ment...they only listen to the argument of force."

He described the mistaken killing of two Australian tray.

killing of two Australian tour-ists by the IRA last week as "inexcusable and unjustifiable" and said he "could completely understand" the outrage felt in Australia.

the IRA activists who shot dead an English private on Fri-day as "freedom fighters".

### Labour offers SDP leader cool welcome

By Philip Stephens, Political Editor

THE OPPOSITION Labour Party yesterday offered a half-hearted invitation to Dr David Owen, the former Labour Foreign Secretary, to re-join its ranks as the final damise of the centrist Social Democratic Party, which Dr Owen formed, brought an outburst of personal acrimony among its remaining band of activists

Mr Roy Hattersley, the Labour deputy leader, said that Dr Owen and his two fellow MPs at Westminster would be welcome to apply for member-ship of their local Labour parties. If the decision was his, he would not oppose them.

In comments, however, that did little to disguise the satisfaction of many senior Labour figures at the SDP's final collapse, Mr Hattersley made it clear that neither Dr Owen nor his colleagues, could expect his colleagues could expect

nis colleagues could expect special treatment.
By contrast, Mr Paddy Ashdown, whose Liberal Democrats have been dogged by the continued existence of the SDP, made it clear that his first aim was to attract as many as possible of Dr Owen's supporters.

Privately many members of Labour's shadow cabinet hope that Dr Owen will decide in the

to urge his former supporters to cast their votes for the

Labour Party.

They acknowledge that such an endorsement would add weight to their claim that the recent policy review marks a permanent shift by Labour into the courts ground of British the centre ground of British

inus

Poses

The personal bitterness sur-rounding the decision by Dr Owan and the other members of the "Gang of Four" to quit Labour in 1981, however, still colours the view of senior party figures.

That, alongside Dr Owen's self-confident and frequently arrogant style were cited yesterday as ruling out his return to any position of power within the Labour party.

Meanwhile, Dr Owen faced stinging personal criticism yes-

terday from members of the SDP who had hoped to kee the party alive despite the slump in its membership to about 5,000.

Mr John Martin, a member of the disbanded party's national committee, said Dr Owen's endorsement over the past year of many of the policies adopted by Labour had been a significant factor in its demise and referred to him as run-up to the general election a "one-man disaster area."

#### **Consumer borrowing** rate for April declines By Rachel Johnson

THE RATE of consumer borrowing in Britain is falling in response to the Govern-ment's policy of using high interest rates to curb demand, according to official figures. Expansion in credit has been slowing since February, according to yesterday's announcement which put the

increase in the amount of out-standing credit in April at £143m, after a £146m rise in New credit advanced to consumers in the month stood at 53.7bn for the third month run-

ning, and fell for the second month in succession for business loans. ness loans.

The credit figures were only slightly above the City forecast. "Consumer credit is expanding at a slower rate than last year," said Mr Roger Bootle, economist at Greenwell Montagu. "The figures are looking decent at last."

Economists saw in the Service of the credit of the consumists of the city of the consumists of the city o

Economists saw in the fig-ures some positive signs that the Government was squeezing excessive credit growth out of the economy.

They compared them with money supply statistics last week that showed bank and building society lending to be at its lowest for four years. The Treasury said the trend in net credit expansion was

clearly declining.
While the amount of new credit remained "relatively high" the rate of repayment was matching it and resulting in smaller increases in the amount of total credit out-

standing.
The increase in loans to consumers from finance houses and other specialist credit com-panies fell below the £100m mark for the first time all year. On a quarterly basis, the downwards trend was more marked. In the first quarter of this year, the amount of credit outstanding increased by a total of 2552m, a drop of 18 per cent on the previous quarters

The Central Statistical Office yesterday revised upwards its estimate for retail sales volume in April, from a provisional 1 per cent to 1.2 per cent.

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FINANCIAL TIMES TUESDAY JUNE 5 1990

# RESOLUTION ON THE MORATORIUM ON COMMERCIAL WHALING

17TH MAY 1990.

The European Parliament,

A. recalling the European Parliament's belief affirmed in its resolution of 18 September 1987 that it is essential for the moratorium on commercial whaling to be strictly observed by all Members of the International Whaling Commission;

- B. aware that the IWC must review the moratorium and consider modification of it this year:
- C. deploring the fact that whaling has continued under formal objections and scientific permits since the moratorium came into effect in 1986, and that consequently one of the purposes of the moratorium, which was to give all whale stocks an opportunity to recover from exploitation, has not been fulfilled;
- D. deeply concerned that the remaining whaling countries are pressing for the moratorium to be relaxed this year;

- 1. calls upon the Governments of all IWC Member States to sustain the moratorium on commercial whaling;
- 2. calls upon the Governments of EC Member

  States to take all possible diplomatic,

  economic and other measures to this end;
- 3. calls upon the Governments of Iceland,
  Japan and Norway to conform with the moratorium and to cooperate fully with the IWC in
  its efforts to develop a comprehensive and
  effective conservation regime;
- 4. calls upon the Governments of Norway and the USSR to withdraw their objections to the moratorium decision;
- 5. instructs its President to transmit this Resolution to the Commission, the Council and all IWC Member States.

RESOLUTION PASSED.
NO VOTES AGAINST.



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BUCKINGHAM Milton Keynes Garages

# Bank guarantee case can go ahead in the United Kingdom

BANCO ATLANTICO SA V BRITISH BANK OF THE MIDDLE EAST Court of Appeal (Lord Justice Nourse, Lord Justice Stocker and Lord Justice Bingham): May 23 1990

A BANK guarantee or aval on a bill of exchange is subject to the proper law of the country where it is delivered; and where the courts of the country in which it is signed would refuse to recognise that proper law and would summarily reject a claim under the guarantee thus subverting its commercial purpose, the English court may be the appropriate forum to hear the claim if it would explore the case fully on its merits and if the transaction has a solid UK connection in that the defendant bank is incorporated in the

The Court of Appeal so held when allowing an appeal by Banco Atlantico SA, from Mr Justice Leggatt's decision granting a stay of proceedings in its action against the British Bank of the Middle East

LORD JUSTICE BINGHAM said Banco was a Spanish bank. BBME was a UK bank. with its main offgce in London. By a written agreement Mr Santiago Vila Marques agreed to sell to Mr Moosa Abdullah Al-Amri, a citizen of the United Arab Emirates, half the shares in a Spanish corporation.

The agreement provided for

payment by down payment and a series of promissory notes to be guaranteed by BBME to Banco. It contained an arbitration clause of uncertain effect, but no choice of law clause. Mr Marques signed as drawer a series of bills of exchange drawn on Mr Al-Amri, which Mr Al-Amri signed in Spain as acceptor. The bills were printed in Spanish. They bore a Spanish stamp and recorded a Spanish town

The bills were for £10,000 for payment to Banco's order at BBME in Sharjah in the UAE. BBME countersigned them in Sharjah as "avaliste" for Mr Al-Amri, and sent them back to Banco in Spain. Banco was holder of the bills.

"Aval" was an expression in international commerce, the nearest translation being

The bills were not paid on presentment because Mr Al-Amri believed himself to have been defrauded by Mr Marques. He started proceedings in Sharjah against Mr Marques. It was unresolved whether the local court would accept

jurisdiction because of the

arbitration clause. Interlocu-

tory orders were made instructing BBME not to pay the bills until further order When Banco, on Mr Al-Amri's default, sought payment from BBME, BBME replied it could not pay without breach-ing the orders and exposing itself to the risk of serious pen-

alties for contempt. In September 1988 Banco began the present action claiming \$170,000 against BBME as orsers or guarantors of 17 bills of exchange

BBME applied to stay the UK proceedings on the ground that the appropriate forum was the UAE. On June 30 1989 Mr Justice Leggatt granted the application. Banco now appealed.

I he judge was required to consider four questions: (1) Was there a conbetween Banco and

The parties accepted they were bound by contract. (2) What was the proper law of the contract? To decide the proper law the

English court must apply English conflict of law rules. Those showed Spanish law to be the proper law. The documents on which Banco sued were bills of exchange. Section 72 of the Bills of Exchange Act 1882 laid down a specific conflicts rule that where a bill drawn in one country was payable in another, interpretation of the

"hy the law of the place where

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If BBME was to be treated as an indorser, the contract was made in Spain, because "indorsement" under section 2 of the Act meant an indorsement completed by delivery. An aval took effect in English law as if it were an indorse-ment, and it would be anoma-

If, contrary to that opinion, it were proper to apply the test of closest connection, the wer would be the same An English court would hold the contract of aval to be governed by the same law as the contract to which it was acces-

lous if different rules were to

cided under the presumptive proper law of the contract? The essential issues were (a) what was BBME's obligation under its aval; (b) was it a defence to show that payment could not lawfully be made in Sharjah; (c) if so, could BBME show that at all material times was impossible to pay in Shariah

(3) What issues had to be

(4) Did BBME show that Sharjah was clearly a more appropriate forum than the UK for determination of those sues, having regard to the interests of all parties and the achievement of justice? Banco had established jurisdiction in the UK, in the forum

of BBME's incorporation, as of Very clear and weighty

using to exercise jurisdiction.

A balance of convenience in favour of the foreign forum was not enough. The interests

justice were paramount. The evidence showed that the UAE courts would apply UAE law to any guarantee dispute if the guarantor was based in the UAE.

There was no developed doctrine of conflict of laws in the UAE. If Banco claimed in Sharjah, there would be no ques-tion of the court there applying Spanish law.

As long as the orders stood Banco could not usefully liti-gate issue (3)(c) in Sharjah. Here, however, it would be open to Banco to contend that lawful payment in Sharjah was not at all times impossible-since, if BBME had acted with vigour, the orders affecting it would have been modified to permit payment.

t could not be conducive to justice to require Banco as a party with an arguable claim under what the English court would hold to be the proper law, to litigate in a jurisdiction where it would be bound to face summary rejection of its claims.

Mr Justice Leggatt, having referred to section 72(2), said it would be "an unsatisfactory if not an unjust result" if the court, which had remote connection with the dispute, was obliged by English statute law to treat Spanish law as the proper law, "and thereby put

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the defendants in contempt of the orders of the Sharjah court." He said there was no good ground for supposing the orders would not "abide the outcome of the underlying

transaction. He then considered the closest connection test. He said the obligation to pay the bills was to be performed in Sharjah, and it was in the Sharjah court that Mr Al-Amri had begun proceedings on the underlying

ransaction. He decided the connecting factors pointed to the Sharjah court as the most appropriate

He stated the correct test, but erred in applying it. First, he made no clear findng on the proper law. Second, if section 72(2)

applied he was wrong to hold that the guarantee contracts were entered into by BBME in Sharjah. They were entered

into in Spain.

Third, if the proper law was Spanish, it was in dispute whether BBME's obligation to pay was to be performed only in Sharjah. Banco's expert Spanish lawyer said payment was to be made in London as the place of BBME's domicile if payment would be unlawful in Sharjah.

Fourth, if English conflicts roles identified Spanish law as the proper law, the judge was not entitled on the facts to sidestep that conclusion on the ground that it would yield "an unsatisfactory if not an unjust

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result," which in any event it would not.

Fifth, in accepting that the orders against BBME should "abide the outcome of the underlying transaction" the judge was evidently content that BBME's obligation should be treated as dependant on the underlying transaction, and that if Mr Al-Amri established fraud Banco should remain permanently out of its money.

That subverted the commercial purpose of an aval and the parties' contractual intention in the English forum all aspects of the case could be fully explored on the merits.

Sixth, BBME's connection with the English forum was very solid indeed. It must be rare that a corporation resisted suit in its domiciliary forum. Rarely would the court refuse jurisdiction in such a case.

Seventh, the judge's concern that trial here would put BBME in contempt in Sharjah was exaggerated. That was possible but perhaps not likely. A stay should be refused. The appeal was allowed. Lord Justice Nourse and Lord Justice Stocker agreed.

For Banco. Steven Gee (Herbert

For BBME: Richard Hacker (Stephenson Harwood) Rachel Davies Barrister

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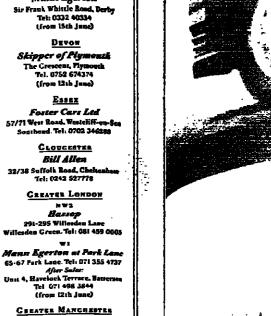
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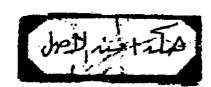
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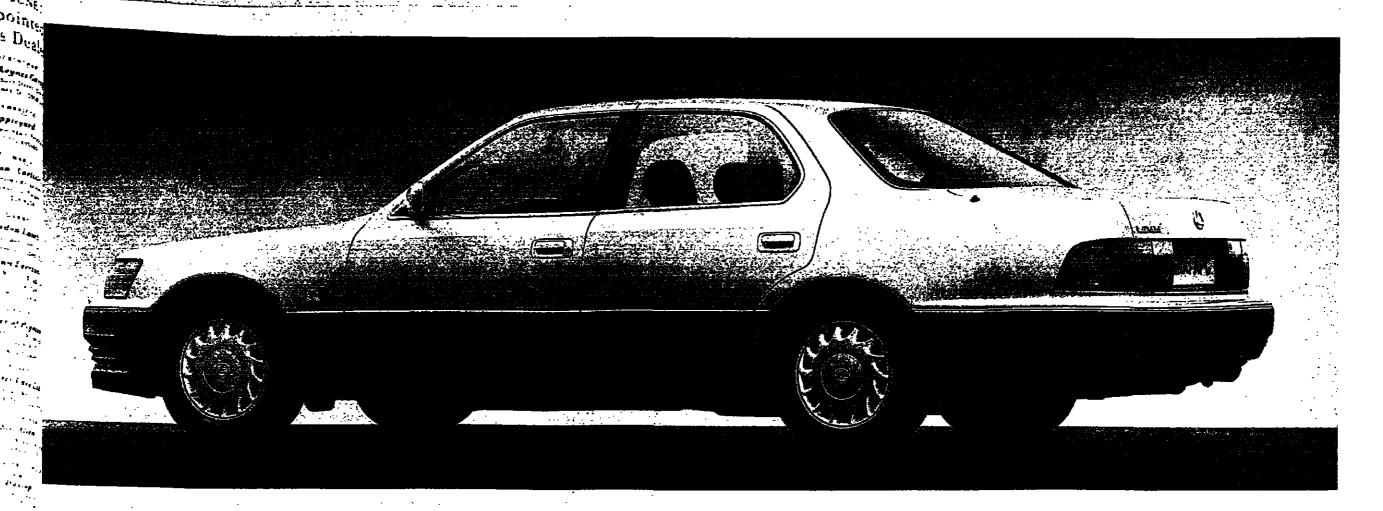
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#### TECHNOLOGY

accuse the Japa-nese of ambiguity and complain that they seldom mean exactly what they say. A common gripe is that the word "yes" to a Japanese has different shades of meaning falling any-

where between "yes" and "no". But now Japanese industry information is necessary in carrying out certain tasks.

They are using "fuzzy logie" - a concept that allows ambiguous information to be translated into numerical values. While conventional computers based on digital logic can respond only to specific and precise data, fuzzy logic systems can respond to ambig-uous data such as "a little closer" or "warmer'

Fuzzy logic was first propounded over two decades ago by Professor Lofti Zadeh, an American computer scientist at the University of California. ironically, though typically,

the concept has not been put to much practical use in the US but has found its most avid followers in Japanese industry. Zadeh developed the concept of fuzzy logic on the premise that most of the information that we deal with is ambiguous and that a good deal of our and that a good deal of our activity is based on our understanding not of exact information but of vague information or on our knowledge of what is highly probable.

Concepts such as "beautiful" or "tall" cannot be precisely defined in mathematical terms yet they constitute a large part of our understanding of the world and play a role in deci-sion making and in the comston making and in the com-munication of information. The same could be said about our knowledge of what is usually true. What is known as expertise or trained judgment also depends to a great extent on this knowledge of what is generally true or usual

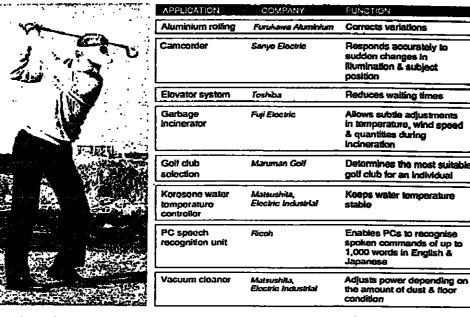
Fuzzy logic provides a way of dealing computationally with such imprecise informaity. Systems based on fuzzy perform tasks that have traditionally been dependent largely on the expertise and trained judgment of skilled workers or experts in a wide range of fields.

One area where fuzzy logic is being used widely is in process control, particularly in auto-In factory automation, for

example, fuzzy logic can take

esterners often accuse the Japanese of ambiguity and compilain that enables machines to understand ambiguous data

# The clear sense sut now Japanese industry is taking advantage of this ambiguity in a variety of applications where a flexible response to vague or imprecise of fuzzy logic



predict what the outcome of a the place of skilled workers certain activity under certain circumstances will be. The since it allows machines to take ambiguous information trains are programmed to pre-dict, for example, what will and make the kind of knowledgeable response that usually happen if the brakes are applied when the train runs at comes only with experience. computerised colourmatching system based on fuzzy logic developed by Nisa certain speed, and to choose the best possible response

years. The fuzzy control sys-tem does everything a train

driver does, from starting the

train and controlling the speed

while it is running, to stopping it at the station. There is no

driver, and although a licensed driver does board the train as a

conductor, so far the system has not had to rely on a driv-

The Sendai subway uses a predictive fuzzy control sys-

tem, which means that it can

er's experience.

shinbo Industries can recog-nise subtle distinctions - such according to its prediction. There are several advantages as "a little darker" - which to running a train on a fuzzy are crucial in mixing the exact control system. Unlike a colours required and which human driver, especially an used to be dependent on experienced human judgment. inexperienced one, fuzzy logic controlled trains will not make The best-known application of fuzzy control is in the suba sudden stop at the station or miss the platform. Passengers can therefore expect a smooth way system in the northern city of Sendai, which has been ride. It is also a labour-saving in operation for the past three device, which is no small con-

sideration in the light of Japan's severe labour shortage. Predictive fuzzy control was developed by Dr Seiji Yasunobu while he was working on the Sendai subway system at Hitachi, which makes the automatic train operation system used on the subway. Yasunobu is now division director at the aboratory for International Fuzzy Engineering Research in Yokohama, an organisation of

lished under the guidance of Japan's Ministry of Interna-tional Trade and Industry. Initially, fuzzy logic applica-tions involved using conventional hardware and fuzzy software. The development by a

number of companies, such as Omron, of computer chips that can handle fuzzy inferences has widened the sphere of application to areas such as consumer electronics, where speedier processing is required. But it is not only in speci-alised industrial fields that fuzzy logic is finding widespread acceptance. The word "fuzzy" is becoming a household word in Japan now that the big consumer electronics makers are coming out with home appliances with names like "day fuzzy." Most of these consumer appliances use sensors to pick up a large number of ambiguous data which a microcomputer with a fuzzy control program then processes to determine the appropriate

type of task required. Fuzzy washing machines, for example, automatically choose the appropriate water level, wash cycle and wash time

depending on data that is picked up by built-in sensors concerning the size of the load amount and type of dirt and the type of detergent used. Matsushita's fuzzy washing machine chooses from about 600 wash cycles. Hitachi's machine picks up information

on cloth quality as well. Fuzzy controls are also well-suited to controlling room temperature. The "Beaver Warp Inverter Air Conditioner 65 developed by Mitsubishi Heavy Industries can maintain a more constant room temperature than air conditioners using conventional controls. The sys tem is based on 50 fuzzy rules," such as "if there is very little change in temperature, then retain power at present ievel.

In ordinary air conditioners if the thermostat for the heater is set at 24 deg C, the heater will switch off when the room temperature reaches that level and only switch on again when it falls significantly lower. A fuzzy control enables the machine to blur this distinc-tion so that the heater does not switch on and off but reduce its beating power to maintain the temperature at around 24 deg C. Mitsubishi says that the system has the added benefit of system the amount of energy spent to 76 per cent of its con-ventional air conditioner. This is possible because

fuzzy controls avoid using arbi-trary thresholds.

Machines that are run on con-ventional systems will under-stand the concept of "hot" to

mean anything at or above, say, 40 deg C. Everything else is defined as "not hot." Fuzzy logic, in contrast, blurs the boundaries of the numerical values that define a concept and ellogs systems to accept and allows systems to acco concepts such as "rather hot, or "not so hot."

Another promising area where the Japanese have been busy putting fuzzy logic to use is in expert systems. In the area of investment technology, for example, several companies have developed systems which use fuzzy logic to make deci-sions based on the kind of data, such as stock prices and exchange rates, which experts normally use to make investment decisions.

Fuzzy logic can also be used to introduce sophisticated visual information processing capabilities in home robots. Robots using fuzzy logic could conceivably recognise a human being against a complicated background — for example someone lying in bed — something not possible with today's artificial intelligence systems.

# Printing under the sun

Clive Cookson on the mechanics of producing the Financial Times in five locations, including Tokyo

ophisticated facsimile machines combined with a satellite-based communications network enable the Financial Times to print simultaneously in five places: London, Frankfurt, Roubaix in France, Bellmawr in New Jersey and, from today. Tokyo.

A comparison between the current FT printing network and the paper's first venture into international printing – the Frankfurt operation in 1979 - shows the advance of telecommunications over the

past decade.
Originally, made-up pages
were transmitted from London
to Frankfurt using rotating
drum fax machines. The
images travelled by traditional
analogue signals though ordi-nary telephone cables. Ken
Barlow, FT communications
manager, recells the network manager, recalls the network then being not only inflexible but also technically unreliable: "Continuous communication with the two PTTs (British Telecom and Deutche Bundes-poste) was needed to keep the

network up to specification."
Today's "flat bed" fax
machines are much easier to use and more accurate than their predecessors. And the computer-controlled digital network has dedicated satel-lite links via Intelsat to Tokyo and Bellmawr and France's Telecomm 1 to Frankfurt and Roubaix. These are more reli-able than the land lines used 10 years ago.

The FT production process starts with journalists in the

paper's headquarters at South-wark Bridge, across the Thames from the City of Lon-don, writing and editing copy on the editorial computer sys-

tem (known as Edwin). The copy then travels down 2-megabit lines, supplied by both British Telecom and Mercury, to the printing plant six miles down the river at East India Dock, where the made-up broadsheet pages appear as bromides (photographic sheets) ready for the offset printing process.

For the international edition, each bromide is laid on top of a special newspaper fax machine and slowly scanned by laser. The plant has three Pagefax machines, manufactured by Crosfield, the British

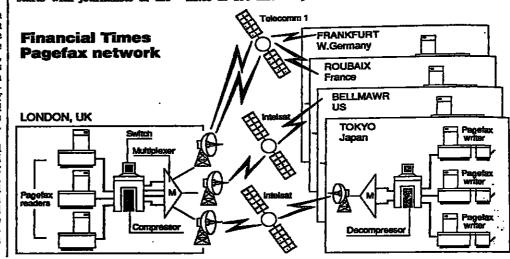
lectronics company. The Pagefax breaks down the page images into blocks of dots (pixels) like any other fax machine, though its resolution - 1,000 dots per inch - is 10 times higher than an office fax. This produces a digital stream which goes through a compressor to remove redun-dant data before it is transmitted to British Telecom's London satellite communications centre. From there the fax signal is beamed to the FT's four overseas plants.

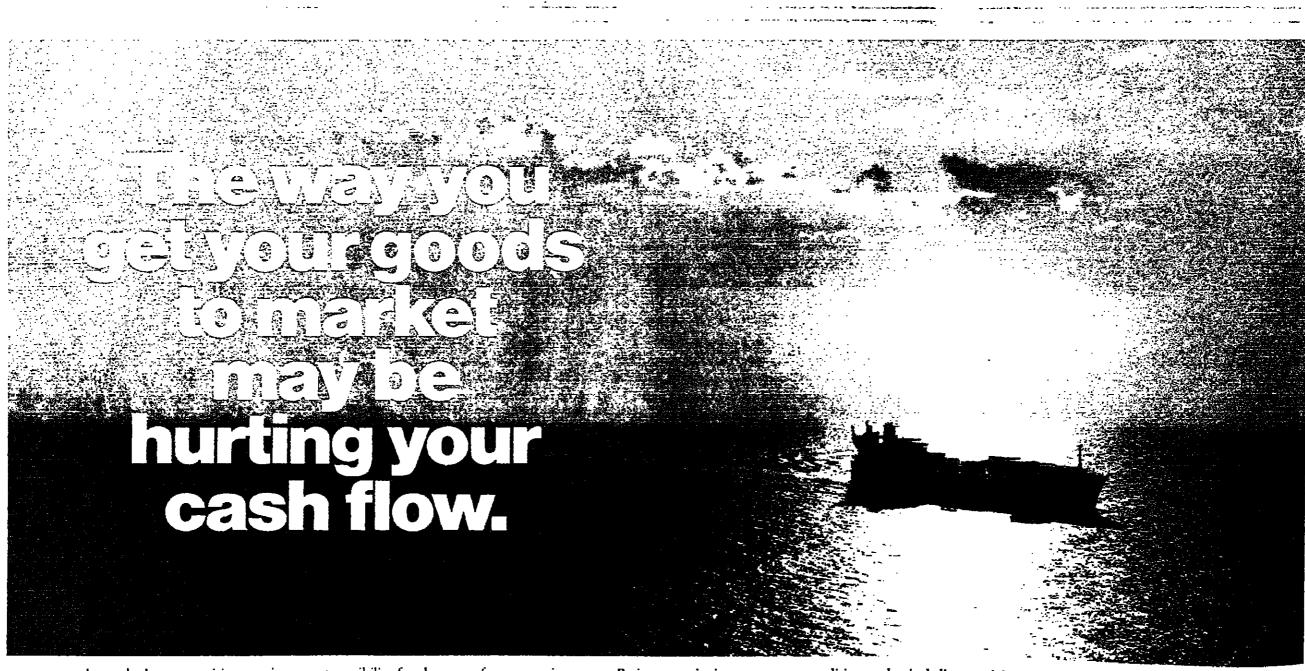
On a typical newspaper page, the compression process reduces the data flow tenfold (most obviously by not send-ing individual pixels for white space around the text). This enables the FT to transmit faxes at 256 kilobits per second for each satellite channel The faxing process takes about

three minutes per page.
When the signals reach the satellite receivers in Japan, Germany, France and the US the process is reversed. After decompression, a Pagelax Writer puts the image of the page on to photographic film, from which the local web off. set printing plate is produced. The Crosfield system has a Wydnet computer to make sure that the Pagelax machines are communicating properly. For example, it checks automatically that page images are received cor-rectly at the overseas plants; if it detects an error in a particuiar block of pixels these will be retransmitted.

The overall FT network is managed by Megamux multi-plexers supplied by General DataComm of the US. These control the passage of differ-ent data streams down a single

communications cham The advantage of the Mega-muxes, according to Barlow, is that as well as offering network management they are able to integrate voice and data communications. "On the Tokyo link we have already integrated a 16 Kbit per sec-ond voice channel to enable the respective print managers to 'talk the pages through', he says. It will be possible in future to add further voice and data capacity for use by FT foreign correspondents as an alternative to the public tele-





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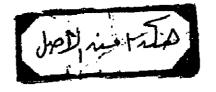
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he setting may have been incongruous, but the atmosphere was deadly serious. Packed into a big conference in in East Berlin's Sport Hotel in Chi-Minh-Strasse, more than 600 ple listened eagerly as a success of West German speakers initidities into the mysteries of the market economy. icluding fid for each laung to

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atiently, West German experts plained the intricacies of raising ney, working out costs and prices, i maintaining a competitive edge siting businesses correctly and iching out for rivals. At times, the hering resembled a dry-as-dust ountancy seminar. Other speakers, wever, managed to mix in light-uted words of encouragement with ir hard-headed advice. ir hard-headed advice.

od was more relaxed. Simon lard, a 38 year-old maintenance ineer from Frankfurt an der Oder, the Polish border, sald he wanted start a new tennis and squash club, ace enough small companies set up East Germany, there will be people crested in these sports."

ie had a good point. Tennis and lash are mainly middle class sports I a Mittelstand, meaning middle ss, but also describing West Gerss, but also describing West Gerny's mass of independent busises, is what East Germany aims to
ate. Indeed one of the principal
ses of the tattered East German
mony is the development of a
iving variety of small- and medisized businesses, the sort that
es West Germany much of its econic strength and flexibility. Mittelnd companies in West Germany
ploy up to 500 people and have a
nover of up to DM500m (£178m).
The Mittelstand system was
troyed in East Germany," says
ifgang Händel, a partner in the troyed in East Germany," says ligang Händel, a partner in the tuschka finance group in Munich, at small companies were forced to the huge kombinate (industrial upings) that came to dominate the momy, making for rigid vertical egration. Since the kombinate, ether in motors, building, electroner or other sectors, had to make at of their own parts and provide

st of their own parts and provide st of their own services, the econ-y became sluggishly inflexible. The free market lives by constant inges in structure," asserts Händel, o is deeply involved in corporate I management consultancy in East rmany. "This comes from con-ntly having to make the decision—'do we make or buy?'. In East Ger-ny, the basic philosophy was to ke everything." Without the pres-e of competition, profits were -;lected — and irrelevant — and a t structure developed that is now upportable as the free market

rom the beginning of July, East i West Germany will have the ne currency and their economic tems will coalesce. When the heavy kombinate start to crumble Though some are expected to sur-

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Business regeneration

## East Germany considers the Mittelstand model

An entrepreneurial culture may stimulate the economy, reports Andrew Fisher



vive — unemployment will grow rapidly; estimates range from under lm to 4m people in a population of some 16m. It is on the swift development of a viable Mittelstand that many politicians and economists pin their hopes for new jobs to bring a refreshing impulse to a care-worn economy.

A quick walk round the streets of

A quick walk round the streets of any East German town or village shows how desperately new shops and services are needed, as well as small services are needed, as well as small building firms to help renovate dilapi-dated buildings. Now that the border is open and D-Marks are on the way, many of the East German citizens' long pent-up demands can be met. Thomas Möller, head of Dresdmer Peak's according to Dresdmer Bank's operation in Dresden, says his staff were shocked to see a uniformed policeman enter the office - but he simply wanted to set up a travel

With the dismantling of the old centrally planned system, the thirst for knowledge among East Germans wanting to start their own businesses is huge. Bankers and consultants say

seminars could be filled several times over, though only a small proportion of those attending would be able or bold enough to go it alone as entrepreneurs. If the number of small- and medium-sized businesses reaches the same proportion as in West Germany, where around 2m such companies employ more than 12m people (two-thirds of the workforce), over 500,000

new firms could spring up.
It remains to be seen whether
Simon Erhard will be one of the new entrepreneurs. He reckons his tennis and squash club venture would need about DM350,000. Tennis is not a common sport in East Germany and squash is virtually unknown, so the opportunity is there; his city has only one tennis court and no squash facili-

Still, it is a long way from having an idea to putting it into practice. Even more difficult is making it sureven more united in manage a survive and pay. "We have a big learning process to go through," acknowledges Erhard. But like others at the East Berlin conference, organised by

Dresdner Bank, Krhard was encouraged by what he heard. If he does go into business, it will probably be with a partner. He is prepared to give up his job, the future for which he is unsure of anyway.

One big opportunity in East Germany is in the professions. Joachim Sölle, 38, who has an economics training, works for a technical publisher in Kast Berlin, but wants to set up as a consultant to local firms wanting to learn about western business methods and strategy. "The country is ready to make a new start, economically. There are good chances, if you don't go into an area where too many com-panies are likely to be involved." He reckons tourism will be one such sector to avoid; East Germans' new freedom to travel has led to a rash of

firms moving in to meet the demand. Since it is still only six months since the Berlin Wall came down, the learning curve for budding new businessmen and women will be incredi-bly steep after several decades of cen-tral planning, "No-one was really

prepared for the development," says Hans Sachs, 40, another seminar par-ticipant. He has a legal education and wants to practice as a lawyer, a pro-fession held back by the former East

German government. "Lots of managers only know the planned economy and are now helpless."

Until the early 1970s, there was still some flexibility in the East German economy. But 1972 saw the final wave of concentration, in which industry came to be dominated by the 200 or so kombinate. Small firms were not allowed to employ more than 10 peo-ple and the number of small- and medium-sized companies fell from around 10,000 to 2,000. In the past 40 years, the number of jobs in private companies has dropped from 4.4m to a mere 280,000.

Many of the businesses nationalised in 1972 will be reprivatised, and former owners are queuing to buy them back. That will be one component of a reconstituted East German Mittel-stand Another will be start-ups; a crucial source of finance will be the DM6bn (£2.1bn) of special funds being made available on preferential terms to help companies from both Germanys wanting to set up in East Ger-many, modernise operations there, or invest in environmental and tourism

projects.

"This money was supposed to be enough for five years," says Burkhard Müller-Kästner, chief economist at Kreditanstalt für Wiederaufbau, which is supplying some of the funds. "But it will soon be used up, since no-one thought the demand would be so strong." Thus the funds will have to be topped up. Because of the less developed starting base, he reckons the money lent to East German firms, whether manufacturing or service. whether manufacturing or service, will generate far more jobs than the same sums would in West Germany, with its highly sophisticated infra-

The strength of attendance at the East Berlin seminar shows clearly that the will to make the switch to the free market economy, with its opportunities and risks, is there. But more than the mechanics of business will have to be learned. A deep-seated cultural change must occur. "In our system, the customer is king," notes Wolfram Gruhler, an economist with

woman crimer, an economist win the IW economic research institute in Cologne. "Under Socialism, the cus-tomer had to beg."

He agrees with others who have studied prospects across the border that the transitional phase before the Best German economy really takes of Rast German economy really takes off in a few years will be very tough. "It could hardly be otherwise with such a Herculean undertaking."

The need for vigorous independent companies in East Germany is all too apparent across the board, in gastronomy, construction, transport, and a host of other sectors. The readiness to make the effort is also there. All East Germans have to learn now is that the right to fail is as much a part of

### When knowledge is an insurance policy

industry.

By Charles Batchelor

7 hat would be the impact on your profits if you had to agree a 10 per cent wage settle-ment with your workforce next month? How would you be affected if 15 per cent of your customers extended their pay-ment periods by 30 days? And what would happen if your main competitor cut his prices

by 10 per cent?

Any one of these developments could make problems for your business but by planning your response in advance you would be able to minimise the impact. Suggestions of how to prepare for such eventualities are contained in a booklet\* from Dun & Bradstreet International, a business informa-

Your first step is to calculate a number of key financial ratios for your business. This health check table should include your gross profit mar-gin, profits as a percentage of s and capital, debtor days, stock turnover, profit per employee and profit per pound of pay, the booklet suggests. Similar information, or as much as is available, should be collected on your main compet-

business allowing it to monitor its performance and set realistargets, the booklet says.

\* A tougher nut to crack. Available from D&B Interna-tional, Holmers Farm Way, High Wycombe, Bucks HP12 4UL Tel 0494 422000. 8 pages.

#### In briet...

More than one in four small companies has been forced by high interest rates to curb the scale of investments highest number since 1979. according to the CBI's Smaller Firms Economic Report.

For the fourth successive

quarter smaller firms reported that spending on plant and machinery could fall over the next 12 months, showing the weakest investment outlook since October 1981.

An encouraging sign noted by the report, based on the responses of 700 firms ques-tioned in the CBI's Quarterly industrial Trends Survey, was that smaller firms expected the volume of new orders to

■ Local business organisations are increasing their links with their Continental counterparts in anticipation of the creation of the single European market. The Essex County Council Business Centre based in Chelmsford (Tel 0245 283030)

itor and on the norms for your

As far as is possible your

customers and suppliers should be judged by similar criteria because ailing competi-

tors may cut prices; customers in difficulty may delay pay-ment; while strapped suppliers might not deliver on time.

Returning to your own busi-

ness: how easy was it to collect the information you needed? If

you had problems, what can you do to make the data more readily available? Can you

arrange in future to collect

such information centrally and

make it available to other departments which could use it? For example, do sales get to hear when credit control gains information which suggests a customer may not be a good credit risk?

Up-to-date information pro-vides a protective shell for a

has arranged reciprocal visits with the Haarlem Chamber of Commerce in the Netherlands and is establishing links with Picardy in France and the Basque region of Spain. ■ National Westminster Bank

is to hold small business workshops to provide guidance in subjects such as finance, marketing and training for new or would-be start-up businesses at 200 centres around the country in 1990. Advice will be provided by bank staff and local business advice bodies.

■ Pension options for the manager of the smaller business and self-employed person are the subject of a one-day course, New Pensions - Oppor-tunities Explained, to be held on June 28. Areas to be cov-ered include retirement annu-ity plans for the self-employed; group insurance schemes at new personal pension plans. Contact Joanne Nelson, Short Course Unity, Polytechnic of Central London, 35 Marylebone Road, London NW1 5LS. Tel 071 486 581 Ext 284. Fee 265.

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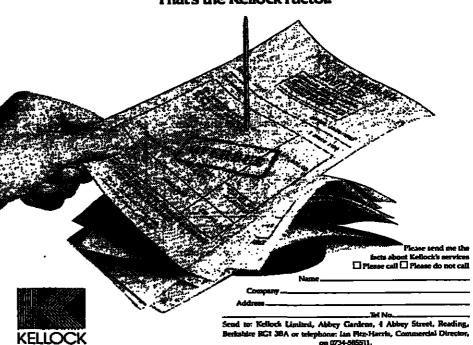
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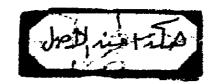
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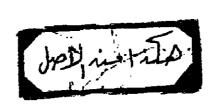
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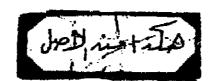
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Mare:

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in is organisation's most suc-ful ventures, several linked sevements can be praised.

arded audience as well – ler Howard Williams (an

s strangely unnoticed in

se same London theatres)
performers captured a

perior measure of the opera's

it introduced us to singers

e worth hearing.

nday's performance inded us that Verdi's fifth

ra, recently neglected in the idon theatres, is a work of

ing vitality, amazing conci-

, and marvellously unfet-

d vocal expressiveness.

3 chorus and orchestra that

sating dramatic energy.

er new to this country or to their Verdi roles who

nthony Mee took the title. An ENO house member,

is usually limited, by reason neight and figure, to minor

.... matic command currently

**33 325**50

(1)\ip a his artist friends.
(1)\ip is central figure is Walter . aves, the loyal acolyte se work, so close to Whiss, is yet distinctive and not be disregarded. Easily artated too is the French n Whistler knew from the s, represented here by a William is nown Edwardian beauty. re is much else, with art-Rent such as Sickert, Rothen-1, Roussel and da Maurier epresented, if not by major courties. There is even a Courtie, for Whistler had known

isoking ack from the Venice Biennale last week and bemoaning the comparative lack of the show marks the artist still too little acknowledged. The show marks the artist still too little acknowledged. friend. The show marks the centenary of his publication of that gleefully wicked collection that gleefully wicked collection of letters, lectures and occasional writings, The Genile Art of Making Enemies, dedicated to "the rare Few, who, early in Life, have rid Themselves of the Friendship of the Many..." This he hurled defiantly at "Messieurs les Kunemis!" who, for him, were "the serious ones of this earth, carefully exasperated...prettily spurred on to unseem-

prettily spurred on to unseem-liness and indiscretion, while overcome by an undue sense of right." He was also a great art-ist, and everything to do with him remains of interest. It is good to hear that Parkin is republishing this still lively squib in a limited edition.

With his show, British Impressionism (34 St George Street W1: until June 16), David Messum now extends his scope beyond the Newlyn School, in which he has specialised hith-erto, into Modern British at large. Newlyn remains in evidence, most especially in a huge and spectacular conversation piece by Harold Knight, but now the Scottish School predominates, through works

dreas Jäggi, Marilyn Zshau and Philippe Rouillon in 'The Fiery Angel'

its latest concert or character tenor roles. Italian diction (far mushler formance Chelsea Opera Plainly, this is a misfortune, than the tenor's) and to up chose Ernant. As in all since he showed here that in explore a greater range of

vocal terms alone he can rise

to real Verdian stature. The

character of the voice, at once

youthful, vigorous, and supple

in utterance, allows him to

embrace the aggressive and poetic sides of the hero equally (there was some eloquent

mezza voce singing in the final act); more attention to Italian

consonants (a bit soft and slippy at the moment) will sharpen the profile of his work

The American Deborah Voight, latest winner of the Busseto Verdi Competition, sang Elvira. Her warm

soprano, vibrant without being

fruity, moves freely in exactly the sort of large lines the

music requires — it's a properly expansive, malleable instrument, which marks her

out as valuable Verdian

potential. Whether Miss Voight

will now proceed to an important career depends on

her willingness to improve her

EEN ELIZABETH HALL

even more.

piece by William Gillies, an artist still too little acknowl-edged in England but one who exerted remarkable authority and influence upon mid-cen-tury Scottish painting, an influence that continues to be felt. Good non-Northern British things include more flower-pieces from Matthew Smith and Duncan Grant, and a Provencal landscape by Grant as good as anything in the show.

Three contemporary shows to

recommend are by painters of

established reputation who have yet to win the general critical support they deserve. Jeffery Camp, whose latest work is at Nigel Greenwood (4 New Burlington Street: until June 30), is a painter of quint-essential Englishness for his visionary romanticism and almost Spencerian idiosyncracy. Yet to these qualities he brings a freshness and original-ity in the handling of the actual paint on the surface, that taken in isolation could only be French - shades now of Matisse, now of Bonnard. More orthodox at first sight, but no less idiosyncratic in the painterly worrying of the surface, that teases images of wide beaches or the densest foliage

Sagarage Loss

musical detail and colour; at

the moment she seems far too

content with the usual

all-purpose prima donna

baritone role, went to David Barrell (currently singing in

the WNO's Tornrak), who

compensated with taste, intelligence, and acute sense of

style for dry (though always

clean) tone. In this drama of four tautly-balanced character

and vocal types, these three singers between them worked

up a good deal of dramatic

movement. Unfortunately, the pivotal figure of Silva, the vengeful old bass fanatic, was clouded by Tom McDonnell's

effortful tone and choppy

phrasing; the finale, in particular, was denied its

climax. As a whole, though, a

rewarding occasion.

Don Carlos, the

有限的 一种



'Magic-mad tonight;' watercolour by David Remfry at the Mercury Gallery

alike out of an expressionist tumble and scurry of paint, is Anthony Eyton, now showing at Browse & Darby (19 Cork Street W1: until June 26). In any other country both paint-ers would be celebrities.

The youngest of the three, is David Remfry, whose new work is at the Mercury Gallery (26 Cork Street: until June 23).

scale and handled with an enviable freedom and virtuosity. His subjects this time are the party and the dance, his models dressed up, masked or nainted, to be treated in compositions fraught with the erotic frisson of inciplent, dan-gerous misbehaviour and enjoyment. These are exciting and ambitious works, carried off with confidence and

panache. The few oil paintings seem as yet less successful, for Remfry seems not yet to accept the material difference between his chosen media. Once he begins physically to relish his oil paint as he does his watercolour, for the stuff it is, the problem will resolve itself. He might do worse than look at Matthew Smith.

### Music in Paris

THE BASTILLE AND SALLE FAVART

With no opera performances in the immediate future, the Bas-tille offers a chain of star vocal recitals. The Czech soprano Edita Gruberova filled the house on May 28 with vociferous admirers for groups of Dvorák, Mendelssohn and Strauss. But was that what the fans had come for? They applauded while Gruberova reduced her supple voice to a suitable level for Lieder.

The able accompanist Friedrich Haider assiduously made himself sound like a pre-elec-tric gramophone record. In the large, impersonal, un-cosy auditorium they remained audible but not with much to

spare. The lines were drawn fine, but vitality was low.

The encores brought a clamour for favourite arias. A roar of delight greeted the soprano's eventual announcement of Hamlet. All pretence of a Lie-der recital was dropped as Gruberova, still fresh after the main programme, sailed into Ophelia's mad scene. Now her chromatic runs - phenomenally accurate - drew gasps and gurgles of pleasure. Since Ambroise Thomas is no longer everyday fare nobody seemed to mind the absence of dramatic feeling – the simple line "Hamlet est mon époux et moi, je suis Ophélie" which Melba on her records made so pathetic, went for nothing and the sad folksong merely slipped by. There was much the same lack of poetry in the Bell Song from Lakme. So there we are, after all this time, and after so much hot air and so much money has been

expended, back in canary-land. Is that what the seekers after operatic glory really mean by "popular opera?" If it leads to serious re-examinations of Hamlet and other half-forgot-ten favourites from the national repertory, well and good. Somehow the big, bad Bastille does not seem the right place. Wait and see.

There was a gimpse of what opera in France could be about at the Opera-Comique the following evening, when the "Ecole d'art lyrique de l'Opéra de Paris" (opera school) showed off its paces with a tri-ple bill of three shortish operas by Bizet. Le Docteur Miracle was Bizet's youthful entry for a competition for one-acters

organised by Offenbach. Bizet shared the prize with Charles Lecoco. Don Procopio came shortly after, when Bizet had won a Prix de Rome and instead of sending back the customary Mass submitted this delightful, Donizettian Italian opera buffa. It was not performed in his lifetime.

formed in his lifetime.

These light works share the blessed quality of immediacy. The music jumps off the page – tunes sparkling or passionate, clear and colourful scoring, harmony rich with Chabrier-like chromatics.

Directlike a substantial one-

Djamileh, a substantial one-acter on an oriental theme produced later, only three years before Carmen, has the same immediacy, handled with mature skill. For the general mature skill. For the general repertory the tripling looks well on paper but is too long (four hours) in practice. Either of the lighter pieces taken singly would pair well with *Djamileh*, a work to enrich any

repertory.
The vocal standard was respectable, not exciting. With so many young singers involved it may be invidious to mention a few names. Yet Philippe Fourcade in the title-role of Don Procopio revealed a definite personality and a promis-ing baritone with typically French forward-placing. Nathalie Dessay and Thierry Trégan, soprano and tenor in the same opera had good moments. Anne Constantin, Lauretta in Le Docteur Miracle, was another appealing light soprano. As the heroine of Dja-mileh, Marie-Anne Todorovitch deployed a strong mezzo and good presence - we will surely hear more of her.

The performers were more hampered than helped by the producer, Christopher Alden, brother of David Alden. The single set by Paul Steinberg, a tall, Bakstian chamber with sloping walls, was covered with what looked like patterned wrapping paper. In this space Alden kept his singers in almost perpetual motion, not in a mad rush but in a crawl, padding about, loping around often on the ground or near it. In *Djamileh*, where he over-played the streak of cruelty, the antics resembled a ballet of garden slugs — choreography by Florence Branca.

**Ronald Crichton** 

# The Fiery Angel

The Holland Festival no longer mounts a country-wide spread of unfamiliar, chance-taking concerts and operas; budgetary limitations have severely restrained the ambitions that gave this enterprise its fame in the 1950s and '60s. But in compensation, the 1990 schedule was launched, at the Amsterdam Muziektheater on Friday, with a performance of unarguably festive character and quality — a

work no longer as rare as formerly but still undoubtedly in opera's "special" category, and a production and musical performance which did it ample justice. The work was Prokoflev's Fiery Angel, the missing link in his opera chain (its music and libretto, both by

and infecto, both by
Prokoffev, were completed
by 1923, only to be then left
unperformed during his
lifetime). It was here given
by the Netherlands Opera in
an Andrei Serben production
already seen in Los Angeles and Geneva (and originally planned to proceed eventually to the Coliseum, though not any more, apparently – why not?); in the pit the Royal Concertgebouw Orchestra wa Concertgebouw Orchestra was conducted by Riccardo Chailly.

This strange work – rough-hewn, oddly shaped, unreasonable in its demand upon singers and players alike

was nurtured by careful, intelligent, musically responsive treatment; it was made to exert an irresistible fascination, so that all the attendant hurdles seen worth every effort of

The Fiery Angel is a tough nut not because of anything inherently problematic in its subject-matter — a medieval tale of a possessed woman and the havoc she wreaks on those who cross her path - but because of the lack of coherence and continuity in its telling. The opera is at its most absorbing, indeed thrilling, in those episodes Max Loppert dealing with the symptoms and details of Renata's

obsessions and in its scene of witchcraft and the supernatural. There, Prokofiev's sulphurous thematic material (part post-Lisztian chromaticism part Russian folkloric inheritance), motor-driven rhythmic patterns, and For myself I found it overall glamorous, whizzing orchestration stir up a dramatic excitement that brings to mind the action of

some grant macrime
unstoppebly in motion.
At other times, however,
the pace seems to flag because
the "filling" – the
psychological insight into
Renata and her besotted knight-protector Ruprecht – is missing: there is no depth (in the perspective sense) to the work, only a
highly-wrought and
high-coloured surface.
Prokofiev's whole approach
seems to relate itself to the
basic tenets of Primitivist art, and it is probably this that determined the character of

some giant machine

Serban's production. The designs, by Robert Israel, take clear formal outlines (triangular set-sh or Classical façades) and, with a surrealist's cool subliminal logic, throw them out of kilter; amazing and wonderful effects are achieved with kinked outlines and mad props. The lighting, by Claude Tissier, is in constant ebb and flow as it beams garish colours onto flat surfaces. And against this extraordinarily vivid background Serban keeps the action mechanised in a way that takes much of the opera to the limits of grotesque

farce.
This happened far more consistently, probably, than its composer-librettist ever intended. Yet the production had the merit of containing the work tightly, unifying it: other treatments suggested by the confluence of music and text probably lack that advantage. Serban's staging avoided the mysterious, the spine-chilling, the spooky, which opens it to objection on those grounds, and no

doubt on others as well (the final revelation of the Inquisitor as a Stalin-figure with hammer and sickle is a producer's "historical" intervention that could well be dispensed with: the effect is vulgarly knowing.)

stream at the stream at the stream at the strice is conception of spell-binding brilliance, sharp, witty, imaginatively and intellectually tough. It was here well enacted, and bravely sung in reasonable French (the strice is all languages at the stream in the stream is the stream in the stream in the stream in the stream is a stream in the stream in the stream in the stream is a stream in the stream in the stream in the stream is a stream in the "original language," even though Prokofiev's working though Prokinev's working libratio was in Russian), above all by Marilyn Zschau as Renata and Philippe Rouillon as Ruprecht. The American soprano is an experienced performer of this famously taxing role, and between to it taxing role, and brings to it energy, magnetism, and a voice uneven but full of colour; the French baritone is not so compelling a stage figure, but that seemed to accord well with Ruprecht's envivocal dramatic purpose, and his singing was impressively solid (with help from light amplification – immoral or not? I'm not sure

most unkindly heavy scoring). Of the large cast Barry Busse (Agrippa and Mephistopheles), Andreas Jäggi (Glock and the Doctor), and Carmen Gonzales (Fortune-teller and Mother Superior) had a particularly zestful time with the production's drily zany routines; the deadly flat acoustics of this unbelpfully wide" auditorium allowed the voice parts to seem much less interesting than they can. Nothing, though, could dampen the excitement of Chailly's conducting — it was that not just full-frontal but in its appreciation of all the frissons of colour in the

scoring – or the virtuoso playing of the Concertgebouw.

There are performances

throughout June, well worth catching. Max Loppert

# Lufthansa Baroque

James acoustic is sympa

The conductor Joshua Rifkin

SALEROOM

the Passions. Accordingly, all the choruses and chorales here were delivered by the distinguished quartet of soloists: per-fectly in scale with the band nately, beautifully matched with each other, it was impressive that four voices of such strong individ-ual character could melt into firm homogeneity. If anything was wanting, it was only a sol-idly resonant bass; Peter Harvey's eager, attractive baritone is so far a bit underweight.

The countertenor Michael Chance was at his mellifluous best in all this music, sheer pleasure to hear. His timbre blended seamlessly with Jane Bryden's pretty soprano in their two duets. Miss Bryden compensated for slightly dim words with lively musical imagination, fluting almost roguishly with the recorders in the 39th Cantata, "Brich dem Hungrigen dein Brot." For well-etched style, I thought the tenor John Elwes a very model, especially in his contri-butions to "Jesu, der du meine Seele," Cantata no. 78 – elegant phrasing, mature tone, the texts projected with feryour but no histrionics.

#### RTS GUIDE

ERA AND BALLET

yal Opera, Covent Garden. Jon Rattle makes a belated

ut conducting the new pro-tion by Bill Bryden of Jana-'s Cunning Little Viren. Final formances of the unhappy ratore revival, with Carol z. Eva Randova, Alexey blyanko, and Sergey Leiferkus eading roles; Sian Edwards

ducts.
slish National Opera, Colim. End of the ENO season:
speriarmance each of Robin Joway's Clarissa and The rriage of Flouro (836 3161). rriage of Figuro (836 3161).

Fra. Taylor, Cunningham, rris bring questions of psycho-

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logy, of perception and of provo-cation to the Paris stage (47425371). Théâtre de la Ville. After Pina Bausch's last performance on Friday, Dominique Bagouet arrives with Maublé Sommairement, a text by Bove, choreo-

graphed for his company

**Berlin** 

Opera. Fidelio is a Jean Pierre Ponnelle production. Der Feuer-vogelile Sacré du Printemps! Bolero are three ballets, choreo-graphed by Maurice Béjart. Cos-fon tutte is well sung by Angela fon tutte is well sung by Angela Denning, Carol Malone, Uta Walther, Manfred Fink and wainer, manired Fink and Lenus Carlson. Tosco features Pilar Lorgenar, Giorgio Merighi and Ingvar Wixell. Further offered is Cinderella.

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#### Hamburg

Opera. Romeo et Juliet has John Neumeier choreography. Zar und Zimmermann is a well done repertoire performance with Gabriele Rossmanith, Wolfgang Rauch and Peter Galliard. Also an Eva Maria Tersson Lieder recital, accompanied at the piano by Herta Werner with songs by Wolf, Grieg, Sibelius and Rangs-

Frankfurt Opera Ariadne cuf Naxos con-vinces thanks to Helena Doese, brilliant in the title role. Further

#### Cologne

Opera. The two rarely played Rossini operas La Cumbiale di Matrimonio II Signor Bruschino are sung by John del Carlo, Ter-esa Ringholz, David Kuehler, Jamica Hall and Alberto Rinaldi. Britten's The Turn of the Screen, sung in English, bas fine inter-pretations by Helen Field, Sam-uel Linay, Machiko Obata and Menai Davies, expertly conducted by Stuart Bedford.

#### Bonn

Opera. Last Fledermans performance with Ludwig Baumann, Pamela Coburn, Claudia Rueggeberg and Krisztina Laki. The successful Das Rheingold production by Jean Claude Rieber stars Wesser provisitet Stormund Wagner specialists Siegmund Nimsgern, Graham Clark, Manfred Schenk and Hanna Schwarz. Also Youki Vamos' ballet Coppelia am Monmarire.

#### Llunich

Opera. Nabucco stars Julia Var-ady, Julia Faulkner, Wolfgang-

Brendel and Pasta Burchuladze. Die Liebe der Danae has Sabine Hass, Andrea Trauboth and Paul Frey, excellent as leads. Don Giovonni has a first-rate cas led by Cheryl Studer, Mariana ied by Chieryl Stiller, mariana Nicolesco, Alan Titus, Kurt Moll and Goesta Winbergh. Also in repertory: Mose and John Cranko's ballet Der Widerspen-stige Zähmung.

#### Madrid

Testro Albeniz: Mozart Festival. Slovakian National Opera in. Don Giovanni conducted by Vik-tor Malek and Rossin's Il Borbiere di Siviglia conducted by Olivier Dohnahy (246 75 22). Teatro Lirico Nacional la Zarzuela. Respighi's La Fianma is performed for the first time in Spain, conducted by Jose Col-ladowith Monserrat Caballe Produced by Hungarian State Opera

Ends June 17 (429 82 25).

Finnish National Ballet. La

Dame cuer Camelias, based on
music by Saint-Sasns, choreography by Domy Reiter-Soffer. Centro Cultural de la Villa (575 60

#### Barcelona

Gran Teatre del Liceu. Aprile Millo concert, with the Liceu's Symphony Orchestra conducted by Eugene Kohn. Rossini, Verdi. Smetana, Dvorak, Bellini (Wed)

Teatro dell'opera. Last perfor-mance of Verdi's Luisa Miller, conducted by Roberto Abbado, and Oleg Vinogradov's version of Suan Loke, with soloisis from

#### the Kirov in the lead roles, sensi-tive conducting by Armando Gatto, but unsatisfactory sets, which leave the swans dancing against an unattractive back-

June 1-7

Florence Teatro Comunale, Luciano Pava-rotti in Giuliano Montaldo's pro-duction of Verdi's Il Trovatore, conducted by Zubin Metha. Mag-

ground of mudflats (461755).

#### Bologna

Teatro Comunale. June Ander-son (alternating with Giusi Devinu) and Vicenzo la Scola in Giancario Cobelli's productio of *Rigoletto*, designed by Paolo Tomasi and conducted by Danjeje Gatti (529999).

Teatro la Fenice. Pier Luigi Piz-zi's production of Wagner's Lob-engrin conducted by Christian Thielemann. Opens Wed (5210161).

#### New York American Ballet Theatre, The

(870 5570).

50th anniversary season includes this week Kenneth MacMillan's eo and Juliet. Season ends June 30. Opera House at Lincoln Center (362 6000).
New York City Ballet. With a repertory still heavily steeped in Balanchine, the company pres ently features a festival of Jerome Robbins's ballets. Season ends July 1. New York State Opera House, Lincoln Center

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FINANCIAL TIMES

#### ST JAMES'S, PICCADILLY The sixth Lufthansa Festival of Barooue Music is underway at voice to a part, even perhaps in

St. James's (with one concert in Westminster Cathedral), and continues for most of the month. As usual, many of the leading specialist performers from both sides of the Atlantic – are to be heard. The St if the news are hard, and it is always an agreeable surprise to find Baroque devotees gath-ering peacefully just two min-utes away from Piccadilly Cir-

On Saturday the excellent Bach Ensemble appeared at the Festival, for the third successive year, to accompany three of the church cantatas which their name-composer wrote for Leipzig. The band cultivates a particularly velvety sound with a soft-voiced but penetrat ing violone as bass. This time the only winds were pairs of oboes and recorders, variously prominent in the three works; the final Chorale of "Du wah-rer Gott und Davids Sohn." the 23rd Cantata, did without Bach's added parts for brass. It was enough, for the lucid con-centration of the playing forbade any sense of excessive

is well known for his convic tion that in Bach's choral

David Murray

### Rembrandt fails to sell

for Impressionist and contemporary art. In the main the Japanese, the principal buyers of Impressionist and modern paintings, find them difficult to understand: they are outside

their cultural experience.

But one artist that appeals to the Japanese is Canaletto: his post card views present little intellectual challenge. So it was not surprising that a good pair of Venetian scenes painted early in his career, around 1730, sold for a record \$11m at Sotheby's New York last Friday. The surprise that is that they were acquired for an American by Citibank's art advisory subsidiary, which acts for the very rich who are too busy, or who feel too ill informed, to do their own buy-

ing.
The sale of Old Masters did quite well, totalling \$18.86m (£11.2m), with 16 per cent bought in. Newhouse Gallery of New York also paid a record price, of \$2.035m, for a work by Jan Brueghel the Elder, a scene of a wooded landscape populated by carts, cattle and peasants. A small Boucher of rural lovers surrounded by sheep sold for \$726,000; a pair of paintings of figures in classi-

Old Masters have looked cal ruins by another 18th cen-amazingly cheap for years tury French artist, Hubert Rob-compared with the prices paid ert, made \$464.000; and "The ert, made \$464.000; and "The Road of Calvary" by the early 16th century Flemish artist Civetta realised \$308.000.

Christie's had more problems with its Old Masters. The star lot, and the most important Old Master to be offered at auction for some time, an authenticated Rembrandt, "St Peter Repentant," showing the Saint in prison, praying, was unsold, with the bids getting nowhere near the \$15m anticipated. This was not really a surprise. It is a fine painting but a sombre work. More to the point, Agnews had been offer-ing it on the market within the last two years.

Unfortunately, a pair of still lifes by Chardin also failed to get near their \$3m estimate but "A peasant wedding feast" Pieter Brueghel the Younger was bought by a Tokyo museum for \$1.43m and in the middle section of the auction there was a string of artist records, including the \$725,000 for a portrait of a lady by Frans van Mieris; \$605,000 for "The annunciation" by Piazetta; and \$407,000 for "The Virgin Annunciate" by the Italian artist Naddo Ceccarelli.

Antony Thorncroft

### FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SET 9HL Telephone: 071-873 3000 Telex: 922188 Fax: 071-407 5700

Tuesday June 5 1990

# Living with **Success**

THE VAST empire put together by the Tsars and then expanded into eastern Europe by Stalin's iron fist is crumbling away. All of its armed might is unable to keep it together, all the resources at its command cannot make the Soviet people rich. Meanwhile, tiny, resource poor and densely populated Japan has a gross national product that, in terms of purchasing power, is not so far short of that of the Soviet Union. At official exchange rates, it is almost twice as large. The question for Japan is how it will use this economic might; that for the rest of the world is how to adapt to it.

The rise of Japan is, as a story of national regeneration alone, the most remarkable of the second half of the twenticentury. Since the early 1950s, when immediate postwar econstruction had been completed, Japan's real gross ic product has increase more than 11 times and its real gross domestic product per head almost eight times. Even now, when Japan's nominal income per head is among the highest in the world, economic growth is being sustained at over 4 per cent a year, faster than in all other industrial

Yet the economic rise of Japan has wider implications. For Japan has achieved a prosperity and will soon possess an influence beyond anything that could have been achieved by warlike means. Japan's defeat and postwar success symbolise the triumph of peaceful inter-nal development over the false

coin of imperial sway.

This is, it is true, not how
Japan's success has been generally seen. Writers, particularly in the US, talk of "containing" Japan. They complain about Japan's bilateral sur-pluses and its low propensity moan about the "targeting of exports". In short, they view Japan's success as a kind of war by other means.

#### Outmoded ways

Such commentators are clinging obstinately to outmoded ways of thinking. Japan's success has involved nothing more sinister than offering products that are cheliper, more innovative and more reliable than those of competitors. Japanese firms have transformed standards of product quality and business management. They have made the fruits of high technology available to ordinary consum-ers, not just the wealthy or, more often still, the military.

Japanese versed in the eco-

Lessons from B&C

THE UK stock market's apparent lack of concern over the appointment of administrators at British & Common-wealth, the troubled financial services group, may at first sight appear surprising in view of the scope of the group's activities and the scale of its outstanding debts. Yet on closer inspection it is hard to disagree with the market's verdict; or, indeed, with the Bank of England decision not to step in as lender of last resort when it became clear last week that Barclays' attempt to co-ordinate stand-by arrangements for the merchant banking subsidisry were coming to nought.

Though widely reported as
the biggest collapse in City history, British & Commonwealth is not, after allowing for infla-tion, a problem to match the worst of the cases that pre-oc-cupied the Bank of England's lifeboat in the mid-1970s. The deposit base of the merchant bank subsidiary amounts to little more than £300m. And many parts of the group, including the money broking operations, are still solvent and trading profitably. On the facts that have emerged so far this does not have the makings of a crisis of confidence in the system as a whole. But it does raise important regulatory questions about financial con-giomeration and the risk of cross-infection between different components of a conglomerate group.

#### Confidence eroded

British & Commonwealth's overwhelming problem was the collapse of a computer subsid-iary that lay outside the regulated part of its business. Yet the debacle at Atlantic Computers contributed to an erosion of confidence in the most sensitive of the group's activi-ties, the merchant banking operation. And one of the more striking features of the bank's operations was that nearly half the deposits came from within the group, most notably from

must wonder why bilateral trade surpluses are thought to be a problem; why countries say they are harmed by what their consumers freely buy; and why they demand financial liberalisation and then complain about the surpluses that tend to follow. They would be right to wonder, for such complaints make remarkably

Contrary to such popular

#### Rearguard action

complaints, Japanese success has enriched, not impover-ished, the rest of the world. Nor were any policies likely to prevent an economy this dynamic from being viewed as a "problem" by competitors.

None the less, the Japanese have been slow to recognise the responsibility brought by their economic success. For too long Japan has shielded behind the pretence of being small and poor. Instead of anticipating the responsibilities that went with being the world's most competitive supplier of manu-factured goods, a rearguard action was fought in defence of obstacles to imports. The inevitable result was that each liberalisation has been regarded as too little, too late and too grudging — and so discounted.
That discount is by now too
large. When Japan is resolved
on adjustment, it adjusts
impressively. Since its peak in 1986 the current account sur-plus has halved as a share of GDP. Between 1985 and 1989 the volume of imports of man-ufactures more than doubled. The adjustment is now slow-ing, but only because the forces of the economic tides are not under the control of even Japan's widely admired

For the Japanese, the long-term challenge is to adjust fully to their success. The world will be looking to Japan for markets, for technical assistance, for capital and for economic aid. In all these respects
Japan has made progress; in almost all there is further to go before its influence is commenurate with its success. Yet it is not just a matter of

Japan's adjusting to its new position in the world. It is also for the rest of the world to adjust to Japan. It does little credit to western powers that they belabour Japan with economic fallacies; it does still less that they result to the seconomic fallacies; it does still less that they view the rise of a peaceful, commercial power as an occasion for struggles over economic spheres of influence. Japan does not need to be "contained". Except for the atsvistic nationalist, the fruits of its success are, instead, to be

apan has confounded the Jeremiahs yet again, weathering a sudden stock market drop early this year without any noticeable damage to its powerful

More than two months after the Tokyo stock market levelled off from its 28 per cent phinge, the consensus among economists in Tokyo is that the country is back on course for real growth of more than 4 per cent this year — for the fourth year running — and can look forward to more strong growth for at least another year.

"We do not see any evidence that the sun will set in the near future," Mr Hirohiko Okumura, chief economist at Nomura Research Institute, Tokyo stock market levelled off from

mist at Nomura Research Institute. says in an oblique reference to a recent bestseller in Japan that fore-casts the collapse of the country's cur-

Now that most of Japan's huge markets are more open to imports, this is good news for the world as a whole. Or it would be if it were not for the weakness of the yen. Japan's export volumes have risen in recent months despite government attempts to restrict them, and this trend seems likely to continue. Adding to an already sensitive issue, a perverse diversion of Japanese export flows from the US and Europe to the developing countries of south-east Asia has emerged

Meanwhile, recent financial reports Meanwhile, recent mandal reports from leading export-oriented manufacturers confirm that they are making a killing on their overseas sales. Profits of industrial companies were up an average of 12 per cent last year, and many have attributed their better than expected gains to higher margins on exports, thanks to the weak year. Its and European manufacturers. yen. US and European manufacturers know, from experience, that a good chunk of those profits will be put into new investments that will make Japanese manufacturers even more com-petitive than they are now.

When the Tokyo stock market fell early this year, economists' main con-cern was that this would undermine business and consumer confidence, leading to lower spending by both. For the past two years, business investment has been the driving force behind the economy's growth, having taken over from public pump priming as the recovery gained pace. At the end of last year, with confidence still running high, most forecasters were looking for a 9 to 10 per cent rise in corporate capital spending by all industries this fiscal year after a 19.4 per cent surve last way.

per cent surge last year.

But as interest rates rose and the stock market crashed, they tended to revise down these figures to the 7 to 8 per cent range, assuming that compa-nies would postpone some capital pro-jects. If the market had continued to decline and interest rates to fall, that might well have happened, but there is little evidence of cuts so far.

A survey of 4,475 large companies, carried out by the Government's Economic Planning Agency in March, revealed that many leading industries were maintaining ambitious spending were maintaining amunious spenning plans. Responses to the survey indi-cated that spending by the steel industry would jump by more than a third this year while that by the gen-eral machinery sector would rise 18.9 per cent, the chemical industry 15 per and the motor industry 18.5 per cent, and the motor industry 13.5 per

means and the incentive to spend.
After three years of high profits they
have built up substantial liquid
reserves. One indication of the size of reserves. One inmeasion of the size of these reserves came in a report this week that 32 companies each had net income from treasury operations last year in excess of Y100hn (\$55m). For them, decisions on capital spending projects are not going to be held up by worries about interest rate moveor the ability to raise ne tal on the stock market. On the other

After Tokyo's recent stock market fall, the economy is back on course, says Ian Rodger

# Fortune smiles on Japan again

are eager to step up spending on auto-mation. The Industrial Bank of Japan (IBJ) estimates that 60 to 70 per cent of capital spending budgets this year will be spent on labour-saving projects or on developing new products.

The economy is also benefiting from a sharp recovery in consumer spending. Wage rates are likely to rise by nearly 6 per cent this year, while the inflation rate will probably end up

less than 2.5 per cent. Income tax reductions introduced last year will also come through, leading to real income gains of about 3 per cent. A similar rise last year was virtually wiped out by the new consumption tax and retail sales suffered.

Last year department and super-market sales were up only 2.8 per cent and 5.1 per cent respectively, but IBJ's forecasts this year are for a combined rise of nearly 9 per cent.

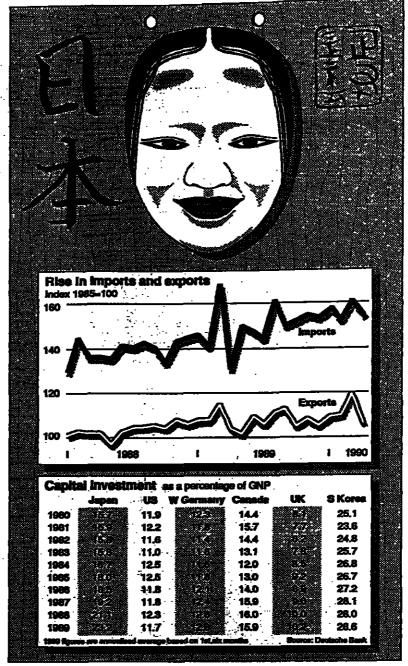
Demand for consumer durables is also Jemand for consumer duranes is also strong, reflecting the trend in affluent Japan for cars, televisions and the like to become an individual's goods rather than the family's. Mr Naoya Takebe, senior deputy manager of IBJ's industrial research department, admits characteristic construction. dmits sheepishly that there are five televisions in his home.

All this provides a further boost for the broad range of consumer, capital goods, construction and service industries, most of which are already run-ning at a brisk pace. The question that then arises is whether the Japanese economy can carry on at such a fast clip without encountering serious inflation. Debate on this subject has reached rare levels of passion in recent months, with Bank of Japan and Ministry of Finance officials publish expression recent with the control of the publish expression recent the control of licly expressing opposing views on the contribution of property price inflation to overall inflation.

For some, the rise of the consumer price inflation rate from about 0.7 per price initation rate from about 0.7 per cent to 2.5 per cent in the past year is already a dangerous development. Others find it remarkable that the weakening of the year has not caused more damage. Import inflation reached 13.3 per cent in April at the wholesale level, but most of it is being absorbed. Profits of the electric utilities derived level year between 15.5. ties dropped last year because of sharply higher oil import bills but, for the time being at least, there is not the slightest chance was to pass ment will allow the utilities to pass to their custom-

Also, even though importers of capital and consumer goods are hurting from the weaker yen, they are so excited by the potential of the now fairly open Japanese market that they will stick with it. Another will act as manufacturers might have to raise

The lack of wage push inflation remains one of the great mysteries of the Japanese economy, especially at a time when profits are high and labour shortages are widespread. But the spring wage negotiation round ended with average increases of only 5.9 per cent, and there are no signs of discon-tent among workers as the holiday season approaches. Traditional strong loyalty to the firm and the weakn



that 40 years of moderation have produced steady gains in real earnings for most Japanese. But it is nevertheless surprising that recent trends towards a widening in earnings differentials and the erosion of old loyalties."
have not yet begun to pollute the industrial relations climat

Thus, the Bank of Japan is having a hard time whipping up general anxiety about inflation. The high rate of ety about intercon. The digit face of money supply growth worries some people, but others put it down mainly to distortions caused by the partially deregulated state of the country's financial markets. For example, as long as big corporations can make easy profits by issuing deregulated commercial paper and putting the proceeds on regulated deposit at the hand they are worried about Japan's of the trade union structure helps to extremely tight labour market and so explain this passivity as does the fact going to be reliable.

The outlook for the country's external balances has the marks of a big-ger dilemma. By any measure, Japan has achieved substantial progress in the past three years in restructuring its economy to be less dependent on exports and more reliant on domestic demand. The current account surplus has tumbled from \$87bn in 1987 to has tumbled from \$87bn in 1987 to \$57bn last year and is now running slightly under 2 per cent of GNP, compared with more than 4 per cent in 1986. Over the same period, the trade surplus fell from \$96.4bn to \$76.9bn.

Until recently, there was wide-spread confidence that the so-called adjustment process would continue, added by a number of special factors.

aided by a number of special factors For example, it is now generally acknowledged that the Ministry of International Trade and Industry is leaning heavily on Japanese companies to cut their exports to, and how their imports from, the US. Many companies have gone so far as the next few years. Also, the build-import targets for mext few years. Also, the build-import sees companies is lowering directly for the US, several transpiration for factories have come on street factories have been companied are eager to get their operating rate up quickly and so have been called exports from Japan.

These trends have been showing and their factories from Japan.

These trends have been showing as clearly in the trade figures. In April the merchandise trade surplus with the US tumbled 46.2 per cent to \$2.45bm, as exports fell 15.1 per cent to \$6.7bn and imports rose 26.8 per cent to \$4.3bn. The surplus with the Euro. pean Community was down by more than a third to \$1.4bn, as a result of exports down 0.2 per cent to \$1.50 and imports surging 41.8 per cent to

However, the overall underlying trend is less encouraging On a seasonally adjusted basis, total emorphism volumes have been rising since t beginning of the year, and many con-omists believe this trend will confine as long as the yen remains weak Also. Japan's trade does not begin and end with the US and the EC. So far this year, its trade surpluses with east Asian countries have been grow ing fast. In the first quarter, its surpluses with both Korea and Taiwan, were up by 23 per cent. Exports to Thailand were up by a third and to Singapore by a fifth. This is not a helpful tendency either for Japan, which is trying hard to be a good. which is trying hard to be a good neighbour in the region, or for the developing countries themselves, or for US and European companies try. ing to hang on to markets in the

The Japanese authorities can beforgiven for being a bit bemusel by these trends and reactions to them.
On the one hand, they know that a weaker yen pushes up exports and makes trade partners unhappy, but they have also seen that a stronger yen makes it easier for Japanese investors to buy overseas trophy assets, such as the Rockefeller Centre which leads to frictions of a different kind. Thus, they seem to have been content to sit back and let the US make the running on exchange rate

policy.

They have also been surprised by the debate that has suddenly energed over the value of their current account surpluses. According to a account surphises. According to some including a recent study by the lines inational Monetary Fund, the surphis is a good thing because it provides source of capital for eastern Europe and other needy countries. Other such as the Japan Association of Corporate Executives (Keizai Doyuki); retort that reducing the surplus mist remain a priority to prevent the strengthening of protectionisis and regionalism abroad.

Some economists are now saying that it does not matter if the current account surplus does not decline any more in absolute terms. As long as it stays stable, it will fall to about I per cent of GNP by 1995 which, they

Whatever happens, it is difficult to foresee anything taking place that will throw the Japanese economy seri-ously off course in the near future. It has demonstrated extraordinary resilience in the past four years, having absorbed four fairly severe shocks -the yen revaluation in 1987, the worldwide stock market crash in October 1987, an internal political crisis lest year and this year's local stock mar-ket fall — without losing momentum. To the superstitious Japanese, four is an unlucky number, and some may fear that things will soon come. unstuck. But it would probably be wiser to assume that the Japanese performer among the industrialised countries for some time.

Fortunately for those deposi-tors the banking subsidiary is bank's authorised status into Restricted ability In practice the Bank of England is unlikely to make

more regulatory support.

40.5

clients of the stockbroking and fund management subsidiaries.

relatively well capitalised and there are apparently no incestuous advances to the rest of the group. But a progressive loss of confidence in the inter-bank market, followed by the failure of the banks to agree on a support package, raised doubts about liquidity that inevitably called the merchant European competition.
The November rush to the

the administrator's job harder by removing that status. though it will no doubt restrict the merchant bank's ability to take on new business. The deposits, meantime, have been frozen by the administrator. Given the size of the bank's capital base and the existence of the statutory deposit protec-tion scheme, the depositors are unlikely to sustain heavy losses. But they may well expe-rience worry and delay in win-ning back their money.

In the circumstances they would be entitled to ask whether the management acted with sufficient protence in placing so much money with a small in-house bank. There is also a question whether the rules of the Securities and Investments Board (SIB) were drafted sufficiently tightly to prevent cross-infection.

It would be premature to pass judgment on the timing of the SIB's decision on Friday to prevent authorised firms placng money with the bank. But there is certainly a powerful case for restricting the proportion of client funds that a firm may place with a fellow subsidiary in a financial conglomerate; perhaps also for insisting that large client deposits should be more widely spread. The Chinese Walls at B&C would have benefited from

#### Beauiolais delayed

■ Money and datelines being what they are, Japan has been able to claim several "firsts" in recent years. From today. the Japanese are now the first to read the Financial Times. This year, however, they are likely to be in trouble with a more accustomed first: the uncorking of beaujolais nou-veau many hours ahead of the

new Tokyo International Airport at Narita has become a ritual, with special trains over flowing with drinkers, nearby hotels booked for beaujoisis parties, and importers prosper ing from prices three times higher than those paid by US consumers. But this time a more solemn ritual will get in the way: the formal enthrone Akihito. ent of Emperor

Importers explained yester-day that the enthronement caremony, or "daijosal," pres-ents two problems. Visiting foreign dignituries are likely to fill the landing slots gener-ally reserved for beamjohns charter aircraft, and wild beamjolais parties are not in keeping with the solemnity of the

occasion.

The enthronement is scheduled for November 12 and the beaujolais was supposed to start flowing from November A spokesman for Suntary, the brewer and wine importer, said yesterday that B Day was likely to be postponed to

The delay is not expected to slow consumption, which doubled in each of the last two years and should rise another 20 per cent this year.

Taxi cards

■ New departure in credit cards; in future you will be able to use them to pay for taxi rides. Not just any old card, but a taxi charge card. The practice exists in Australia,

### **OBSERVER**

but is believed to be new to Burope. The service is being launched in London tomosrow by Computer Cab, which already specialises in taxi payments by account. Cabcharge cards will be inserted into a machine at the end of a jour-ney, and the bill will come at the end of the month.

Derby double

■ Beckhampton House, nes-tling in the Wiltshire Downs ting in the Wiltshire Downs off the A4 past Mariborough, is famed in the annals of the turf. But it had not sent out a Derby winner for half a century until Sunday, when Sanglamore, ridden by champion jockey Pat Eddery, won the Prix du Jockey Club, the French Derby, at Chantilly. The horse is in the charge of a first season trainer. Roser

of a first season trainer. Roger Chariton, a 40-year-old former stockbroker who took over Beckhampton when his mentor, Jeremy Tree, retired last year. Charlton said yesterday: "I

do come from a racing back-ground. I went into the City to make a bit of money to be able to afford to do what I really wanted to do.

"I was with the firm of W.I.
Carr, and I served for two
years in Hong Kong, then
joined the London desk. In 1974
I took a subbatical, and was able to confirm that racing was what I really wanted to do. I made the break in 1978."

His everyday reading is the Sporting Life, but Chariton says he keeps in touch with the world of business by reading the Financial Times on Saturdays.

Sangiamore is owned by a Saudi Prince, Khalid Abdulla, a banker who has invested many millions of pounds in British racing in the last dozen years. One effect of the win on Sunday has been to reduce the price of Quest for Fame in tomorrow's Derby at Encom.



"Does this mean the Monster Raving Loony Party will move

one of the most open for years. They have the same trainer, the same jockey and the same owner. Such a double has not been seen for 40 years.

Ever Ready

■ We must, incidentally, learn to refer to the English Derby as the Rver Ready Derby – after the sponsor. The prize money has been increased to 2500,000, making it a \$1m race for the first time. Ever Ready says that nearly 12m people will see it on television in Japan, and for the first time it will be shown live at Happy Valley race course in Hong

Rentapicture Ryoel Saito, the Japanese industrialist who recently spent Y25m (198m) paying record prices for a Van Gogh and a Renoir, boasted he would have bid any amount. Money

was no object. Saito, the 74-year-old chairman of Daishowa Paper,

Japan's second largest paper maker, has not always found it so easy to fund his passion for fine art. In 1981 the company founded by his father was in such dire straits that the family turned to Sumitomo

Bank for emergency loans. Sumitomo agreed, but forced Saito to contribute to the company's rescue by selling part of his art collection. A furious Saito, who had owned some of the works for more than 20 years, never forgave the bank. He dispensed with Sumi tomo in 1986, as soon as he no longer needed its money. The Van Gogh and Renoir were both bought out of Saito's personal fortune, estimated at more than Y500bn. Neveress, some of the 5.000 employees of Dalshowa Paper are now grumbling that he should have handed out the money in special bonuses as reward for the workers' loyalty diving Delshown's differable

years. They calculate they would have received Y5m each Despite the latest buying spree, Japan is short of west-ern art. Public collections are few and far between. Most Japanese are unlikely to see Saito's latest purchases until he donates them to a museum,

during Daishowa's difficult

possibly in 10 years' time. Those who want to look at modern art, but cannot afford to buy, are increasingly turning to art rental services wh charge between Y2,000 and Y10,000 a month for a picture. Art Rental Lease System, the largest operator, has works by Salvador Dali and others in its portfolio. Some 45 per cent of the clients are restanrants and cafés; 30 per cent are companies and 25 per cent private individuals. Most customers prefer lithographs to oils or watercolours because they are cheaper,

Of course

"What is "The average man"?" is the title of a talk advertised at a Sussex club. To this someone has added:
"What the average man considers himself superior to."

SINCLAIRI KNIGHT

22 LITTLE PORTLAND STREET LONDON WIN SAF 071-536 6992 FAX: 071-636 0585

To: JAPAN From: Clive Sinclaire

> MEMORANDUM Subject: ADVERTISING IN UK

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We are specialists in the area of Media Planning and

 We negotiate extremely competitive prices and large. discounts on behalf of clients in all media. These include National and Local Television, National and Local newspapers, Radio, Cinema and Posters.

 In the U K there are official bodies that authorise. credit and commission on the main Media (TV, Radio::27 and Press). This authorisation is only granted to companies with the necessary financial and business standing. Sinclaire Knight is fully authorised in this 💥 🌋 respect

 Our company is independent and wholly owned by the. two working directors, who are involved in all aspects of the business, giving personal service to all clients.

 Our directors have both cultural and personal links with Japan and are keen to further develop these through business contacts.

Please write, telephone or Fax us for further information.



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Bigging by the second E tary - . . . aco's economy:

Property of the same

This was an observation made at the Ditchley Park international conference centre in Oxfordshire last weekend

during a discussion on the

growing economic power and influence of east Asia. It is a statement that is open to challenge — and one which might not meet with universal approval in Tokyo or in Singapore — but in its essentials it is not for off the most.

It is indeed one of the curios

yen sone; at the political level, the only regional organisation intermittently in evidence is the Association of South-East Asian Nations (Asean) and even its most ardent fans would hardly claim for it a distinctive role.

three, bilateral US agreements with Japan, South Korea and the Philippines, certainly survive but are also susceptible to

change in the near future. The US has already announced that

it plans a 10 per cent reduction

of its troop presence in the region and it is reasonable to

the wedge.

All of which tends to beg the

question of whether, just as Kurope seeks to design, with US and possibly Soviet assis-tance, a new security architec-ture for itself, east Asia should

go down the same path. The thought is not new, but the equations which prompted it

ssume this is the thin end of

is not far off the mark.

laymond Snoddy on the newspaper's decision to print in Tokyo

# Castern promise for the FT

have turned up every evening at the printing of the Financial Times in n to get early copies of st edition off the presses id the latest stories by ile to Tokyo.

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link those two gentleman ow be out of a job," Mr. Palmer, chief executive : Financial Times says

n today the FT will e the first British newsto print in Japan - an presaged by a Japanese it on the newspaper's ising theme: No FT mment. In this case coled Japanese theatrical with the copyline: No Noh Comment

hasers of the paper in will get their copies anyone else in the Facsimiles of the compages of the first edition FT will be sent by satel-Chiyoda Sogyo, a Tokyo ig company. The pages rive by 5.30am local time uner and 6.30am in win id the completed paper on the streets and on desks by Sam — eight before they reach read-the UK and two days than they used to get to

days when there are ive stories about take-ids or technical innova-Japanese readers will ly be the first to know, sh the FT is available nically to paying cus-on computer screens

of the international edithe paper - unchanged one respect. Part of the age contents panel will Japanese to alert Japa-eaders to the main stonat might particularly

initial Tokyo print run more than 7,000 copies, th those copies will also other Far East destinaincluding Hong Kong, ore, Malaysia, Thailand, Korea and Australia. nese readers will be red in terms of the size investment deployed to them. At the moment 1,000 copies of the FT are ily in Japan. The paper be disappointed, execuay, if this figure were double within a year.
will cost more than £2m



Mr Selsuo Mizutani, right, and Mr Nobuyuki Miura, of Chiyoda Sogyo, with FT copies

a year to transmit, print and distribute in Tokyo. On the simplest level each extra sale in the first year could end up costing something approaching £1,000, although advertising revenue, not circulation, provide the venture.

We are not doing it out of pride. We are not doing it for prestige. We are doing it for solid commercial reasons," Mr Palmer says of the venture. These reasons include the fact that Japan is one of the world's top three financial cen-

tres and its most dynamic industrial centre. Japan is already the second-largest non-UK source of advertising revenue for the paper after the US, and advertising income in turn accounts for 80 per cent of the FI's revenues.

An increase of a third in the

FT's advertising revenue in Japan will virtually pay for the Tokyo project in a year. "Even if we are very, very successful we are not dealing in telephone directory circulation figures. We are dealing with small but absolutely crucial numbers to

us," says Mr Palmer.

The European market is still at the centre of the FT's expan-sion strategy and a recent inde-pendent European Businessman Readership survey showed the extent of the paper's European penetration. Last year on average, according to the survey, 20 per cent of western Europe's senior businessmen read the Financial Times. By comparison the figures for the International Herald Tribune and the Wall-Street Journal/Europe were 4 For the FT the commercial logic of going to Japan — as was the case when the paper started printing in the US — is to make sure, first, that the local business and financial are thoroughly familiar with the paper. As a result, the paper hopes that when such businessmen are planning an advertising campaign aimed at the pan-European market they will chose the FT as the

vehicle. Before the IHT started printing in Japan in 1987 it was selling 2,000 copies a day there. Mr Lee Heubner, its publisher, is very happy with progress.
"We have more than doubled our circulation to about 5,000," says Mr Heubner, who is just as interested in the circulation increases as the most of the circulation. increase as the possibility of extra advertising revenue. The extra sales in Japan have helped to take the IHT's worldwide circulation above 200,000.

he Asian Wall Street Journal, which began printing in Tokyo in 1987, has also increased its circulation as a result. Before going there its daily sale was 4,300. The figure now is 6,700 plus a small number of additional copies of the US edi-tion which are still shipped in. The Asian Wall Street Journal, founded in 1976, has a total circulation of more than 39,000. circulation of more than 39,000. It printed first in Hong Kong and then Singapore before adding Tokyo. Mr Michael Wilson, publisher of the paper, says he does not see the arrival of the FT as competition. In the emerging global market people will want more than one source of international one source of international news and more than one per-

The Japanese move is the latest phase in the internationalisation of the FT which began with printing in Frankfurt in 1979. At a time when the paper was making less than 20m a year profit £3m was invested in the Frankfurt project, an investment that took the paper five or six years to absorb. In 1985 the second overseas printing site was opened in New Jersey to serve the US. At the time the FT had a daily sale in the US of 5.500 a daily sale in the US of 5,500: now it is 25,000. A third print centre, at Roubaix in France, was added in 1988 to relieve the pressure on Frankfurt. Not enough copies could be turned out in the first

hour at the German plant to serve both Paris and Zurich by road in time for early-morning distribution. After the addition of printing at Roubaix the early part of the Frankfurts print run could be devoted to supplying the Swiss market, thereby delaying the need for a separate Swiss printing plant. In the past decade the drive to turn the FT into an increas-ingly global newspaper has had a marked cumulative effect on the paper's circula-tion. In 1978, the FT sold 155,863 copies in the UK plus 25,815 overseas - 14 per cent of the total of 181,678. Between last November and this April the UK figure was 195,149 with international sales of 93,943 – 33 per cent of the total.

have changed.
Nothing symbolises this better than the meeting in San Francisco between President Gorbachev and President Roh probably be to start printing the paper in Hong Kong, followed by Singapore, says Mr Palmer. By the year 2000 Geneva, Chicago and Sydney could have joined the list. Tae Woo of South Korea. If it has been true that the tumultuous events in the Soviet Union and eastern Europe have had a necessarily limited impact on east Asia, the very

FOREIGN AFFAIRS t is, to put it mildly, para-doxical that in the part of the world, east Asia, that has seen most of the big wars of the past 40 years and is still stuck with a number of nasty intractable problems, nobody now seems to take the question of regional military power very

# Adding up the security equation

Jurek Martin on whether east Asia should build a new military framework for the region

ties of the region that it has achieved all it has, especially in economic fields, without any of the formal multilateral structures which Europe, in particular, and the United notion of a Soviet president talking to a South Korean leader on American soil and without the apparent approval of the regime in Pyongyang demonstrates the extent to which the old fixed order has States, to a degree, have found so valuable in the postwar years. There is no east Asian common market or free trade area; there is still no definable yen zone; at the political level,

Proponents of the need for some form of Asian security conference, perhaps along the lines of the CSCE in Europe, argue that there is already a growing network of informal security. contacts on security issues between the western alliance, Japan, and, to a lesser extent, some other countries in Asia. At the security level, on the non-communist side, there have been five agreements of consequence, all forged in the 1950s as the cold war became seriously hot. Of these, the South-East Asian Treaty Organisation (Seato) died in the 1970s and Anzus is not far off obsolescence. The other Australia tries, in a number of ways, to push the cause. So did President Gorbachev, in his Vladivostok speech in 1986. What was unacceptable from the Soviet leader then is sub-ject to much less critical and

fragment of evidence that Japan at this stage is interested. While recognising that the component parts of its security treaty with the US may have to change, it clearly does not want it to be so down-graded in importance that an alternative multilateral frame-work needs consideration.

There are any number of reasons for the Japanese position and, added up, they make a lot of sense. The bottom line is that Japan does not want to be seen to be assuming a lead regional security role. If it senses that it has become a role model for its neighbours, then it is in the economic and commercial sphere. If that has been made partly possible by underspending on defence — a luxury which, for example, South Korea has not been

The bottom line is that Japan does not want to be seen to be assuming a leading regional security role. If it senses that it has become a role model, it is in the economic and commercial sphere. If that has been made partly possible by underspending on defence - so be it

suspicious scrutiny these days.

The case for the prosecution of this course rests on the assumption that, with China out of the game for the foreseable future and with the Soviet Union consumed with its own affairs and those of eastern Europe, such an initiative would have to come from either the US or Japan, as the region's dominant powers. It is at least possible that the US would entertain the idea; it does, after all, consistently talk of more equitable burden-shar-ing by its friends and allies and it is going to reduce greatly its military presence in Asia. Not so Japan; there is not a

granted - then so be it. In any case, in an era where the whole world is in pursuit of the peace dividend, Japan can hardly be seen to be going in the opposite direction.

Second, hackneyed, but still important, regional history does not work in Japan's favour Earlier this year, President Lee Kuan Yew of Singapore, who has a memory, used the Davos forum to urge Europeans not to leave Asia to the mercy of Japanese. More recently, Emperor Akthito apologised, as his father had done, for the excesses of Japanese colonisation of Korea from 1910-45. If he ever goes to China, which he probably will within the next two years, he will undoubtedly do the same

for the Nanjing massacre (though he may not mention it by name).

Third, Japan has become almost as comfortable in a relationship of suspicious indifference to the Seriet Union as it ence to the Soviet Union as it has with the realities of its security treaty with the US. Mr Gorbachev may well go to Tokyo next year and is per-fectly capable of offering to give back the four disputed northern Kurile islands (that is, if he does not feel that giving up territory would send the wrong message to the Baltics et al). But even if he does, the current Japanese predisposi-tion, graphically explained at Ditchley, would be to play any negotiations very long. And just in case Japan might

waver in this respect, the US is still not above issuing a cau-tion. Two months ago, Mr Michael Armacost, the US Ambassador in Tokyo, agreed that the Soviet Union might be preoccupied with internal and western affairs. But he went on: "It could also be based on this calculus; by concentrating on domestic priorities and external relationships with western Europe and the United States, it can deepen Japan's sense of isolation, thereby stimulating a decision to relax the linkage between resolution of the Northern Territories issue and economic co-operation. These motives are not tion. These motives are not mutually exclusive." Finally, and not necessarily

contradictorily, the Japanese are not above wondering why a new security framework is needed when the threat is not so apparent. It is a fair argu-ment. Nato and the Warsaw Pact had a raison d'être in each other. One Ditchley panel concluded that, depending on the country concerned, the threats might be perceived as coming from the Soviet Union, North Korea, China, Japan, Vietnam, Indonesia or India. But it also said that the risks of conflict were lower than at any time since the last war. It is tough to design a security framework with so many vari-

ables and such little fear. So Japan will almost cer-tainly sit tight and walt and continue, above all, to try and manage the US relationship. It is a far cry from the first two postwar decades of the marjohnson, the American Japan-ologist, puts it: "American pol-icy toward Japan was based on the proposition that Japan had great strategic significance but only minor economic signifi-cance." Just because the boot mean that it is unwearable.

### LETTERS

### nsumer power and international airlines

tr Paul Seabriaht. : is encouraging that Sir Aarshall (Letters, June ves in the power of the er in the airline indusvote with his or her

mably he means more at dissatisfied passen-always choose to walk destination. The ability llers to choose between ly competing services ly what is threatened ances between previmpeting carriers, as it he present system of

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r José Juan de Olloqui. Christopher Whalen May 18) makes vari-

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worldwide business." There are therefore all the more opportunities for British Airways seek strategic alliances that do not diminish competition and allow it to use its formidable expertise in the interests of better services and lower fares. And there is all the less reason for the rest of us to suffer alliances that do. Paul Seabright, Director of Studies in

Churchill College, Cambridge

From Mr Georges Gutelmon.
Sir, We note with some bemusement the protestations of British Airways' Chief Exec-utive over Paul Seabright's warning ("Flying in the face of facts," May 30) that the tradi-tional flag carriers in Europe are collaborating to steal the Euro-bacon before their governments (some of which still own their national carriers) finally agree to unlimited market access for private competi-tors like ourselves (vaguely

promised for 1993).
Sir Colin treats us to the now-familiar BA endorsement of free and open competition, and invokes the power of the consumer "to vote with his or her feet" as the ultimate guarantee against abuse by the big

However, the Belgian parlia-ment has just voted a new air transport law which denies TEA, a significant Belgian carrier based at Brussels, the right to compete with Sabena World Airlines from the Brussels hub on routes between Brussels and Europe's other major airports

These routes are by far the most lucrative, and are dominated by the traditional carriers through bilateral arrange-ments which amount to price

and service cartels. Will Sir Colin kindly explain how the consumer can "vote with his or her feet" on these routes to avoid the notoriously high fares which the big carri-ers uniformly impose if inde-

Will he also be so kind as to confirm that BA, now a 20 per cent shareholder in Sabena World Airlines and Sabena's hest hope of avoiding financial disaster, has no objection to allowing TEA to compete from Brussels on these important European routes, that BA has exerted no pressure on the Bel-gian Government or Sabena to keep us from doing so and that, in keeping with its principles, BA supports our efforts to provide consumer choice? Georges Gutelman,

Trans European Airways, Meisbroek, Belgium

#### PLO request for observers

From Mr A.M. Apostolou. Sir, The Palestine Liberation Organisation's request to have United Nations observers sent to the Occupied Territories is

curious given that de facto nch observers already exist. In February 1988 UNRWA hired more than a score of Ref-ugee Affairs Officers, part of whose remit is to observe and report on the human rights sit-uation in the Occupied Territories. While these RAOs have not succeeded in effecting great improvements, they provide a useful back-up service and give a degree of psycholog-ical security to the otherwise isolated Palestinians. Better still they are civilians and do not have the trappings of a peace-keeping force, which the israelis will not countenance. The November 1989 Israeli

complaint to UNRWA about the RAOs notwithstanding, the most pragmatic way forward is to provide UNRWA with the funds to hire more. With assurances to Israel that henceforth the RAOs would liaise more closely with the occupation authorities to minimise friction, the RAOs would still be able to intervene on behalf of the Palestinians without reinforcing the Israeli perception of them as hostile meddlers. Andrew Michael Apostolou Department of Philosophy, LSE, Houghton Street, WC2

ico's economy: checking facts and sources

years to transform Mexico from a state-dominated, proincrease over the prior year.

The performance of the tected economy into an open one with steadily decreasing government participation by virtue of a wide-ranging privatisation programme. Tax revenues have increased and subsidies have been reduced: Mexico is currently running a budget surplus of 7 per cent of gross domestic product before inter-

est payments. Regarding Mr Whalen's com-ments on domestic interest rates, he seems to be missing the point entirely in terms of the overall trend over the last year. Interest rates have decreased from around 57 per cent to 36 per cent and are still dropping, as a consequence of an increasingly bullish outlook for the economy. Capital has been and continues to be repatriated despite the downward trend in interest rates. Mr Whalen's forecasts for

Mexico's current account deficit in 1990 and his estimates of international reserves are inexplicable. The general forecast from both governmental and non-governmental sources is for a lower deficit (about \$4.5bn) this year than in 1989 (£5.4bn) - his \$7bn is widely off the mark. At the same time, Mexico's reserve position has been increasing. The latest fig-ures from the central bank report a level of \$6.9hn (not \$4bn as Mr Whalen suggests) for end-1989, which is an

bourse in Mexico City over the past year has indeed been remarkable. Mr Whalen is sceptical of the underpinnings of the boom, for reasons com-pletely unelated to such fundamentals as price/earnings ratios, market versus book values or the economic outlook. Instead, he relies on a mis-

guided expectation regarding the evolution of the peso. In fact, most of Mr Whalen's uncertainty about investing in Mexico revolves around a bleak forecast for the peso. I would like to point out that the recently renovated Pact incorporates a reduction in the average rate of slippage for the peso/dollar rate from 1 peso per day to 80 cents. Again, the underpinnings for this are an expected decrease in the rate of inflation and a constantly improving outlook for public

finances and the economy. I agree with Mr Whalen on one fundamental point; to understand the appealing consistency of Mexico's stock exchange, it is necessary to take a good look at all the facts and an especially hard look at their source.

José Juan de Olloqui Adviser to the Undersecretary for International Financial Ministry of Finance and Public



# **FINANCIAL TIMES**

Tuesday June 5 1990



### Iran, a revolution going nowhere

Scheherazade Daneshkhu looks at what went wrong after Khomeini

ENS OF thousands of breast-beating Iranians descended on Ayatollah Khomelni's burial ground near Tehran yesterday to hear his successor Ayatollah Ali Kha-menei condemn the US as "the pinnacle of sedition and corruption.'

The events were the climax of a week of mourning ceremonies to mark the first anniversary of Khomcini's death. Construction workers have been busy around the shrine, and it is thought that the Government is planning to build a seminary large enough to rival Khomeini's own Fayziyen seminary in the holy city of Qom. Iran's rulers, however, are keenly aware that the revolution, which burst from the seminaries on to the world stage with such force more than il years ago, has been going nowhere since its founder's death. This is despite the fact that the revolution has easily survived predictions by its opponents that it would be unable to outlive Khomeini.

But the economic expecta-tions of the wider population have been dashed in the process. President Hashemi Rafsanjani, once hailed as Iran's version of Soviet President Mikhail Gorbachev, has failed to restructure and restore the

The price of food rises on a weekly and sometimes daily basis; a kilo of apricots costs 2,500 rials (\$35) in a country famed by the 18th century traveller. Sir John Chardin, for producing a plentiful variety of the world's "best and finest fruits.

A shortage of housing is another serious problem and one which has been exacerbated by the relentless influx of rural families to the cities. Isfahan, the country's second city, held 500,000 before the revolution. It is now home to an estimated 2m to 3m people. One man recounted how he delayed selling a piece of land in Tehran worth 110,000 rials a square metre last summer, until the autumn, when the price had risen to 250,000 rials. An Iranian-assembled Hillman Hunter car costs 10m rials (200 times the average monthly sal-

ary).
At a news conference in March, President Rafsanjani was asked why petrol rationing continued despite government

By John Lloyd in Prague

A SENIOR Czech minister has

attacked his Government's eco-

nomic strategy, predicting a disaster with "galloping infla-tion" and "hundreds of thou-sands of unemployed."

Mr Valtr Komarek, a deputy prime minister who was

ship of the government's eco-nomic team, has described the

economic strategy as "naive". His comments, made in an

interview at the end of last week, have an added sharpness

as the Czech election campaign winds up with the Civic Forum

movement and its Slovakian

sister group. Public against Violence, well ahead of rival

parties.

The remarks are an attempt

to establish a rallying point for left-wing critics of market-ori-

ented reforms undertaken by ministers, chief among them

Mr Vaclay Klaus, Finance Min-ister, and Mr Viadimir Dlouby,

Planning Minister.
This platform, likely to be adopted by many of the CF

PAV deputies after the elec-tion, will presage the develop-

ment of a left-leaning group in the assembly which is likely to

relieved of his leader-



Frenzied mourners reach out towards the Behesht-e Zahra cemetery outside Tehran yesterday as they observe the first anniversary of Ayatollah Ruhollah Khomeini's death

promises to lift it. The irony for this oil-rich nation is that it does not have sufficient refining capacity to meet its needs and is obliged to import oil by-

Even the much publicised reconstruction of war-damaged areas to the west near the borareas to the west near the bor-der with Iraq, dependent on domestic financing, was admit-ted by officials to be proceed-ing much too slowly. "Frankly speaking, the people's com-plaints were justified," said Mr Mehdi Karrubi, the radical Majlis speaker after a tour of the region.

Reports of unrest and food riots in the big cities have increased. Last month Khomeini's son Ahmad told Inte-rior Ministry officials that soci-ety had become acutely sensitive. He urged the officials not to make promises they

could not keep.
As the economy takes its toll on daily life and people tire themselves trying to make ends meet, political resignation has seeped in. One translator was told by his publisher not to bother with books on politics since they no longer sell. Nevertheless, periodic attempts have been made by the only (barely) legal opposition party in the country. Last month, 90 doctors, lawyers, clerics and military officers linked to the Freedom Movement, whose leader, Mr Mehdi Bazargan, was the republic's

An anonymous telephone

caller yesterday warned the Czechoslovakian authorities

of another bomb attack,

Prague.

writes Leslie Colitt in

Mr Jan Urban, secretary general of the Civic Forum

movement, said that an explosion last Saturday in a

crowded Prague square and the latest threat were

attempts to destabilise the political situation before Friday's first free elections

CF/PAV are already consider-

ing setting up a left-of-centre party during the forthcoming two-year parliamentary term.

CF:PAV has held together disparate trends by remaining

a movement rather than a

party. It intends to continue as

a movement but is expected to evolve into at least two parties

after the poll.

The development of a leftist

likely because the two non-

communist leftwing parties

now contesting the elections - the Socialists and the Social

Democrats - are failing to poll

oup is made increasingly

first Prime Minister, signed a letter of protest to President

It said: "The freedom and security enshrined in the consecurity ensurined in the con-stitution has been trampled upon... None of the principles of freedom, justice and inde-pendence has been fulfilled." The signatories blamed the state of the economy more on mismanagement and corruption than on a shortage of

¬ he stagmant economy is also a reflection of the paralysis in govern-ment. While Khomeini was alive, he acted as final arbiter in the many disputes over power and ideology and would not allow one political faction to triumph over the other. When Mr Rafsanjani became president, it was assumed he would mide the country firmly would guide the country firmly onto the path of economic reform and political pragma-tism, if not moderation.

But despite some victories, mostly in the field of foreign policy, he has not overcome his hardline adversaries, who cling to the notion of Iran as an isolationist and revolutionary

The results have been administrative confusion and political stalemate. On a day-to-day level, this translates itself into the erratic behaviour of officials on the streets. "A month ago, during the fasting

level to qualify for seats in the

two-chamber assembly. The Communists are likely to qual-

ify, but will be treated as par-

platform for the left, Mr Koma-rek's criticism of the present

economic strategy is also nota-ble for proposing an alterna-tive to the "shock treatment" approach of the Poles.

Mr Komarek was deeply crit-ical of the devaluation of the

Czech crown to a commercial rate of 17 to the dollar and a tourist rate of about 30 crowns,

and of proposals to devalue the commercial rate further to the

level of the tourist rate. The strategy for devaluing the crown and raising prices was

wrong for two reasons, accord-• Since most of the Czech

economy is controlled by

monopolies, and in many cases demand exceeds supply, float-ing prices will simply lead to increased profits for the

• If prices float and set a high

exporters will accumulate large Czech currency sums

with domestic banks. Companies able to export to the

price in crowns for the dollar,

Aside from establishing a

Czech minister attacks economic strategy

period, we were left alone," said one woman in a reference to Islamic dress codes. "Now they've suddenly taken it into their heads to stand on street corners and harass us about

Many Iranians are convinced that whenever the Government starts talking to the west, the radicals are given leeway to crack down at home. For the first time in many months, officials are entering homes, examining property documents and ordering residents to pres-ent themselves or risk having their property confiscated by the Government.

Such unpredictable oscillations have become embedded within the system. For within the framework of the Islamic Republic, government is based on an uneasy alliance rather than a personal dictatorship. Breaking this mould by creating a rift within the rul-

ing group carries with it the danger of undermining the whole system. Forging an out-ward appearance of unity through consensus has given the Government its strength, but its weakness lies in its inability to confront the coun-

try's very real problems.

"We all thought after Khomeini died that Mr Rafsanjani will come along, shake things up and get them moving," said one businessman. "But we

west - mostly exporters of raw materials – will make money. But, Mr Komarek added, Czech manufacturers of refrig-erators and washing machines, for example, would go bank-rupt because they were incapa-ble of exporting their goods and their energy and raw material costs would

He also attacked the government strategy of raising prices

- by an average 25 per cent

- while paying a subsidy of
about 170 crowns a month to
compensate for the rises.

compensate for the rises.

Although, he said, "we still have time to proceed sensibly," Mr Komarek condemned "rash measures" already taken.

"Creating galloping inflation and allowing hundreds of businesses to go to the wall, creating the said of ing hundreds of thousands of unemployed within a month, would be a real disaster.
"People would be disap-

pointed by the economic reform. It would then be very difficult to muster any enthusiasm for reform ever again."

Interview conducted by Stanis-lav Holec of the East European Information Agency for the Financial Times

#### W Germany and France face EC legal action on UK beef

By Tim Dickson in Brussels and Bridget

WEST GERMANY and France appeared yesterday to have ignored the European Commis-sion's call to revoke their bans on British beef and now face the prospect of legal action by

A deadline set by the Commission for the removal of the mission for the removal of the embargos – imposed in response to fears over bovine spongiform encephalopathy, or "mad cow disease" – passed yesterday evening without any response in Brussels from Paris or Bonn.

However, Britain will not retailate against the French and West German govern-ments for their ban on imported British beef, as has been demanded by UK farm-ers' leaders, Mr John Gummer, the UK Agriculture Minister, said

Retaliation would not be in the spirit of free trade within the European Commu-nity, he said.

Mr Raymond MacSharry, the European Community Agricul-ture Commissioner, said that be would advise his colleagues to open EC legal proceedings at their routine midweek meet-ing. However, he also made clear that he expected the crisis to be resolved when EC farm ministers gather in Brussels for an emergency council meeting on Wednesday.

meeting on Wednesday.

Mr Gummer said the issue
went "to the heart of decision making in the Community." If individual countries felt they could throw aside Community decisions which were not to their advantage, very serious questions about the creation of the single European market would be raised, he said. EC officials and diplomats

are well aware that legal redress — under Article 30 of the Treaty of Rome, guarantee ing free trade - can be time-consuming. It would only culminate several months later with formal action in the

later with formal action in the European Court of Justice.
There is a "fast track" legal option for the Commission but a spokesman for Mr MacSharry said last night that this was not being considered.

Officials believe a meeting of the EC scientific veterinary nmittee tomorrow morning will be crucial. These experts
- drawn from all 12 member states - have not considered the BSE question since Janu-

ary when they advised that banning British trade in live animals over six months and removing offals from exports of British beef were sufficient precautions for the EC.

Mr MacSharry's position is
that no new evidence has been
produced by France or Ger-

many to justify going further

but his spokesman made
clear that the Commission would continue to base its pol-icy on the view of the experts on the committee.

Mr Gummer repeated that
he believed both the French

and German governments had acted to protect their own markets. At no point had they argued that their action fell under the clauses of the Treaty of Pama which allowed one. of Rome which allowed governments to take restrictive measures on grounds of public bealth.

Meanwhile, business at UK cattle auctions improved noticeably yesterday, apparently as a result of the EC decision to take unlimited quantities of beef into "intervention stores" at a guaran-teed floor price.

## THE LEX COLUMN No volunteers for a B&C lifeboat

It is easy to get carried away with the question of who was finally responsible for pulling the plug on British & Commonwealth. The key fact is that there was a loss of confidence last week which precipitated a run on a UK merchant bank and that the authorities sat back and did nothing. Indeed, it could be argued that the Securities and Investment Board gave B&C an extra shove by requiring the firms it regulates to remove their investment funds from the bank. It is as if the authorities

bank. It is as if the authorities wanted really to rock the boat to see what happened.
Calling in the administrators to the parent of the B&C empire may mean that creditors stand to get far less of their filbn back; but that was not yesterday's message from the shares of the companies most involved. More significant was the fact that the cant was the fact that the 5300m of deposits in the mer-chant bank have been frozen. It is one thing for depositors to be penalised because they leave their money with a bank which is crooked or makes dud loans. It is quite another for short-term depositors in what appeared to be a perfectly well run bank to find that they cannot get their money back. It is the sort of action which gives an international financial cen-

tre a bad name.

The Bank of England rode to the rescue of Slater Walker and Johnson Matthey Bankers, so why not now? As the lender of last resort it would be certain to protect a clearing bank if it were ever to run into similar liquidity problems. The obvi-ous difference is that BCMB's problems do not present a sys-temic risk to the financial structure. Despite that, the authorities might ask themselves whether they are send-ing the right signals in being seen to treat small banks less leniently than big ones.

Willis/Corroon

The record of Transatlantic deals in people businesses such as insurance broking, advertis-ing and banking is far from ing and banking is far from reassuring. So yesterday's 9 per cent drop in Willis Faber's shares on news of its marriage proposal with Corroon & Black, the fifth higgest US insurance broker, is a modest reaction — especially given the early problems Willis encountered with its 1987 takeover of Stewart Wrightson. The strategic reasons for tearing up a 100 gic reasons for tearing up a 100 year old relationship with Johnson & Higgins, in particu-

Willis Faber Share price relative to the FT-A Insurance Brokers Index

1981 84 86 88 90

lar the need to reduce the group's over-dependence on a mature UK market, all sound sensible enough. Nevertheless, there are far more reasons for the Willis share price to fall rather than rise over the next

willis Faber's shareholders will benefit by not having to pay a premium for control of one of the better-run US insurone of the better-run US insur-ance brokers. But Corroon & Black's earnings are falling, when Willis' profits are set to rise by around 25 per cent, so some dilution is unavoidable. The benefits of higness in this business may yet prove to be illusory; and to win approval Willis Faber has had to make considerable management con-cessions. Finally, there are cessions. Finally, there are going to be an awful lot of Wil-lis shares floating back to the UK over the next year. The City needs more convincing.

#### Hearts/Hibs

If ever there was an industry ripe for rationalisation, it must be football. The combination of overcapacity and high operat-ing costs makes many clubs hopelessly uneconomic. The merger of clubs and their relocation to new, safer stadiums makes enormous sense. But try telling that to a loyal horde of football supporters; every merger yet suggested has met with bitter resistance. In financial terms, the bid

from Hearts for Hibernian is shrewdly judged; the latter's shares have performed dis-mally since flotation. The offer is conditional on only 76 per cent acceptances, which means that Hearts can do without the fans' 20 per cent holding; Inoco's 29 per cent stake is already committed. Potentially, there are juicy profits to be earned if Hibs' ground can be

Man battle by ATO redeveloped. But none of this may matter. The Scottish League has to approve the deal and its members are unlikely to want to encourage contested bids in their industry. Nor will the League be eager to annoy its customers, the supporters Mecca must wish that bingo Continue Security players were so fanatical

#### NFC

Workers at NFC yesterday received a sharp lesson in the risks of capitalism: the group's risks of capitalism: the group's pre-tax profits increased only because of a cuthack in their profit share. Avoiding a fall in the pre-tax figure at the full year will require further sactiyear will require turing sacrifices. Suffering employees may be tempted to ask a few harsh questions of the management. It is clear that, despite the real improvements made since formula to much of the group. tation, too much of the group's business is still highly volume-sensitive and subject to fierce competition. There was a tendency to rely on the dubl ous quality of property profits and the group should have sold Pickfords Travel at the profit-able stage of the consumer **R** 25\57.263

But the company is still moving in the right direction, increasing the value added element of its turnover and its overseas exposure. The shares now languish on a prospective p/e of under 10; they will look a lot more attractive if interest rates fall.

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#### UK economy

The evidence from yesterday's batch of UK economic statistics continues to be all one way. The final retail sales figure for April was revised upwards, from volume growth of 2.4 per cent year on year to 2.6 per cent. Meanwhile, new consumer credit in April was flat, which suggests that dis-posable income is rising fast enough for borrowing to be It remains clear that lower

interest rates cannot be justi fied on domestic grounds. For the authorities, it follows that the authornes, it is not the markets must be disabised of the idea that sterling is about to become a riskless investment. One good way would be to focus on the scope for devaluation within the ERM: but that would cast doubt on the ERM's efficacy as a counter-inflationary disci-pline. The market's belief in the faith-healing powers of the system looks more puzzling by the day.

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#### develop into a full party. Some leading members of above 5 per cent, the necessary Trump may sell assets

Continued from Page 1 and the New York Grand Hyatt hotel - which are believed to be showing positive He has also but ates flights between Aviation analysts

worth less than he paid for it. Yesterday, the Trump Organisation, Mr Trump's pri-

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### Soviet free market nearer as parliament approves new law

By Leyla Boulton in Moscow

THE SOVIET parliament last night approved an important law designed to bring enterprises one step closer to a gen-uine market place.

Called the "law on socialist enterprises" before deputies

deleted the word socialist, it lays down uniform rights and obligations for all types of enterprises. These include: • the right to set prices except where an enterprise

enjoys a monopoly, in which case the Government may set • freedom to set wages and issue stocks and bonds; a mechanism to declare

bankruptcy.
The law, which comes into force next January, covers state-owned conglomerates. collective farms, private co-op-eratives and joint ventures. It effectively supersedes and goes beyond 1987 legislation on state enterprises which sought

to make each factory and farm accountable for its profits and

"This guarantees the self-sufficiency of enterprises where the previous law only declared it," said Mr Yurl Blokhin, vicechairman of the economic reforms committee of the Supreme Soviet (parliament).

Critics said, however, that its main merit was to make all enterprises, whether stateowned glants or small private co-operatives, equal before the aw. But they attacked the details of the plan, saying it would make little difference to how enterprises operated in

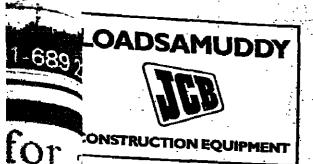
the Soviet Union. Radical economists and western analysts said the law would have no real effect until the Government freed prices and reformed its centralised system of distributing raw materials. One member of the Government's economic reform

commission, Mr Sergei Alexashenko, called the legislation half-baked because of its attempts to placate both radi-cals and conservatives. "Our political situation is very diffi-cult and all the decisions that are advanced by the Government and parliament are pal-liatives, stuck between radical and conservative forces," he

The law needed complementary legislation spelling out practicalities - for instance, how the Government would deal with monopolies, and how bankruptcies would be han-

Parliament is expected today to vote on a package of eco-nomic reforms involving steep price rises for many basic foods and consumer goods. The plans have been roundly criticised by both conservatives and

Ukrainian strikes, Page 3



## **FINANCIAL TIMES** COMPANIES & MARKETS

Tuesday June 5 1990



#### NSIDE

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#### **Nall Street debate** or battle by proxy

roxy fights, once a glamourless tool of corpoate governance, have become one of the vourite weapons of Wall Street. They have nlivened the nearly moribund takeover scene, alping bidders overcome difficulties created their targets' legal defences. But are proxy attles just the latest Wall Street fad or are ey here to stay? Roderick Oram looks at the ∍bate. Page 28

#### continuity proves to be ne best insurance policy



It has had four changes of ownership in almost as many years. Yet Fon-diarla, Italy's fourth big-gest insurer, has managed to flourish. It has done so largely through the continuity provided by Mr Alfonso Scarpa (left), general manager since 1982, and managing director since mid-1985. Haig Simonian

oks at how Mr Scarpa has steered Fondiaria its latest change in ownership - one that s come at the same time as a tax-inspired structuring of the group. Page 26

#### FC advances 12 per cent

C. formerly the National Freight Consortium. nounced a 12 per cent rise in pre-tax profits the half year to March 24. However, operating profits were down 3.5 per cent in what the mpany described as a generally difficult UK vironment. The shares fell sharply on the ws by 9p to 127p. Paul Abrahams reports. ge 32

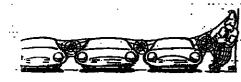
#### ungarian privatisation kes to the road



lbusz, the Hungarian travel agency, tour-ism and financial services group, next

t privatisation by public offering in eastern ope. Yesterday its international roadshow pped in London on the second week of a nna. Andrew Baxter reports. Page 30

#### irmakers in the slow lane



European motor industry is suffi ket malaise. Most car companies' shares e underperformed their domestic market the last year. Fears of eroding margins stiffer competition have dampened inves enthusiasm; and there are few signs of any \_rovement in the near future, as the threat acreasing Japanese market share begins to Antonia Sharpe reports. Back Page

#### : share ownership disclosure immary of Stock Exchange announcement

sclosures of holdings of between 3 per and 5 per cent in UK public companies be run in the Financial Times throughout week. Last Friday provisions of the Com-es Act 1989 came into force requiring an stor to declare holdings above 3 per cent. 3 35

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	al futures	
	r exchanges	
	1 recent issues	
	, chave conére	73

London traded options London tradit, options Money markets World commodity prices World stock mkd indices

#### panies in this section

	American	26	Hardanger Properties
	ware Consumer	33	
	Media	27	K.K.Ashisuto
	MEGIG	31	
		34	
	ı Waler		
	Mining	34	Leigh Interests
	eoman	34	Lombard Nth Central
	Aicrosystems	34	Mariev
	1,10,100,000	27	NFC
	-I Eveness	33	Optometrics Corpn
	el Express		PA Consulting Group
	gton Corp		
	Indated Press	27	
	William)	31	Polysource Indust
Ł.	3	28	Quarto Group
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### ef price changes yesterday

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(Yen)				Mesui Wharf	3450	-	310
1	250	+	160	(ikeya Becinc	1020	-	80

Tribune, one of the leading papers in the Midwest. But Mr Roger Parkinson, the group's publisher, said yesterday he could "categorically deny" that there had been any talks with Mr Maywell "I met Mr Maxwell for the first

time on Sunday at the Governor's mansion," said Mr Parkinson. Mr Maxwell was there for the launch of the Gorbachev-Maxwell Institute of Technology, a centre for research by American, Soviet

Maxwell stalks US newspaper

and European scientists. Mr Maxwell said he would contribute \$50m for the centre, to be matched dollar-for-dollar by Minnesota Governor Rudy Perpich and a committee from the state. Mr Maxwell has long been trying to buy a leading US newspaner, following his acquisition of Macmillan, the US publishers. His name has been linked with

both the Daily News in New York and the New York Post.

There are also claims that Mr
Maxwell has been approached about purchasing the Washingowned by supporters of Rev Sun Myung Moon's Unification Church. It is unlikely that he would be interested in a stake in the paper while any religious

links remained. Last month Mr Maxwell bought three US tabloid newspapers from Globe International Publishing - the Globe, the National Examiner and the Sun. But he has made it clear that this was not the purchase he had in

At the Berlitz meeting, Mr. Maxwell said that both the language training group and The European newspaper, launched last month, would benefit from the economic consolidation of

# Bankers point the finger as B&C crumbles

David Waller on the failed rescue

THE AIR of the City of London was thick with recrimination yesterday as bankers sought to apportion blame for the collapse of British & Commonwealth Holdings, the UK financial con-

THE FINANCIAL TIMES LIMITED 1990

Tempers flared as the bankers pointed accusatory fingers at the regulatory authorities and at each other, while the regulators pointed back at the banks. Central to the debate was the

sequence of events leading up to the Security & Investment Board's (SIB) unusual announce-ment late on Friday last week requiring all its member firms to withdraw deposits from the Brit-ish & Commonwealth Merchant Bank (BCMB). Once this announcement had

been made, the fate of the B&C group as a whole was sealed and the appointment of administrators was only 48 hours away.
Troubles at BCMB began
almost two months ago when shares in its parent were

At the time, the bank is believed to have been in fine financial fettle: well capitalised, with a loan book of £300m (\$501m) fully provided against doubtful debts, supported by capital of £30m. There was no question that the bank suffered any liquidity problems. liquidity problems. In the aftermath of the suspen-

BREAK-UP valuations for British

& Commonwealth have been the subject for much speculation over the past few weeks. Now that some businesses may finally go up for fairly speedy sale, the number-crunching will be put to

the test.
Yesterday the administrators

were reluctant to specify pre-cisely which operations might be

to suffer from so called "reputa-tional" fall-out. Liquidity suffered not because depositors started to withdraw their cash, but because bankers chose not to renew loan facilities when they came up for

facilities when they came up for renegotiation. Steps were taken to avoid a potential crisis.

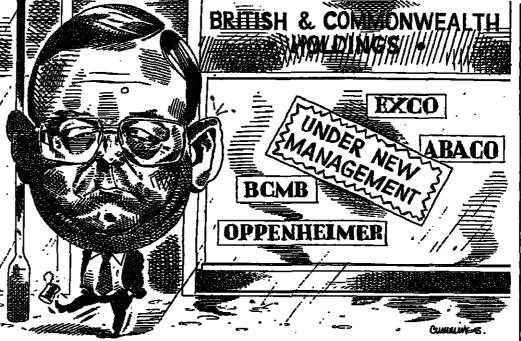
Approximately three to four weeks ago, bankers came together to discuss providing a standby facility for the merchant bank. The plan envisaged eight banks contributing £12.5m each — a total of £100m. Co-ordinating the discussions. the discussions was Barclays Bank; others involved were the Midland Bank, Standard Chartered and Lloyds. It was decided to take no final

decision on the line of credit until shareholders had met to discuss the proposals put forward by S.G. Warburg for the resusci-tation of the B&C group.

Discussions between the banks, and between the various regula-tory bodies with an interest in the fate of the merchant bank, were revived at the beginning of ast week. It is now clear that the Bank of

England played a major role in co-ordinating meetings last week, and that it falled in its objective of persuading the banks to back the stand-by facility. The Bank's line now is that it is content to respect the commer-cial decisions taken by the bank-

fetch vary widely. Some ground-work was laid in the leaked esti-



to persuade the banks that it was to persuade the banks that it was in their broader interest to save BCMB. Mr Eddie George, the Bank's deputy governor, hosted two sets of meetings.

The first were with representatives of the four regulatory bodies with responsibilities towards the banks' depositors under the Financial Services Act ment of administrators at the merchant bank and at the group. The bankers' reasons for not backing the syndicate must have varied. Some were probably prepared to back the proposals if everyone else went along with them; others were more negative. They decided that it was to their greater commercial advantage to let administrators be appointed at both the group and its mer-Financial Services Act. The second set of meetings were with senior representatives of the eight banks involved in the

Barciays led syndicate.
On Thursday, the Bank was able to report back to the four regulatory bodies. The message was simple: the banks had, for a variety of reasons, been unable to come to a unanimous decision to

support the £100m facility.

What that meant in practice was that the Bank had been rs. unable to persuade the banks to However, it clearly tried hard relieve BCMB's growing liquidity

Sale time will put valuations to the test

clear yesterday that some form of

management buy-out/consortium package would be pursued. Estimates put on the sale value

of Oppenheimer, the US fund management subsidiary, are even

problems. A day later the SIB came out with its announcement, which in turn led to the appointment of administrators at the

at both the group and its mer-chant banking subsidiary. As one regulator observed yes-terday: some of the banks realised that the appointment of administrators to the merchant bank would freeze its assets and

This would preserve its liquidity position (not disastrous at this point) without requiring the

However, Oppenheimer's management announced management

buy-out plans yesterday, with Morgan Stanley acting as invest-

banks to commit up to £100m to achieve virtually the same thing. One clearing bank said yester-day that the reason why it had opted not to back the line of credit was because it was aware of the action the SIB was likely

Both the Bank and the SIB hotly rebuffed this interpretation of events yesterday. "Without hesitation, it is absolutely untrue to say that we acted before it became absolutely clear that the talks had failed," the SIB

Said.

Creditors and shareholders in B&C will be watching how events unravel in the weeks to come. And it is likely that a wider public, taking in the banking community and the City at large, will watch for the cutome of this watch for the outcome of this

end of last year, but Nova has end of last year, but Nova has subsequently agreed to sell its prized Polysar rubber division to Bayer, the big West German chemicals group, for C\$1.25bn. Polysar is one of the world's leading producers of synthetic rubber. The deal is expected to cut Nova's debt to just above

include a natural gas producer and a heavy truck manufacturer.

#### tion, they said, was to end up with a going concern — in short, a slimmed-down version of the the hypothetical price-tag attached to Exco, B&C's moneyswitch management contracts. Whether administration counts broking business, stood at £230m (\$384m). That would fall, Warexisting group. However, there is a general burgs suggested, to around £100m under administration/liquidation. as a change of control is a moot point. "On the basis of advice from US and British lawyers, we expectation that the disposals of Exco and the B&C Merchant Some independent analysts are Banking group - already formally announced - will proceed, firmly believe that the adminisand a deal more besides.

not convinced. There have been suggestions of Japanese interest in the business – Nippon Tanshi, in particular – and Exco's chairman, Mr Richard Lacy, made Forecasts as to what the particular parts of the group might

work was and in the seased estimates put forward by S.G. War-burg, B&C's unlucky advisors. The bankers suggested two differ-ent sets of figures, depending on whether the disposals were made as part of a B&C restructuring or whether they followed a move by more controversial – a net £88m under the "going-concern" basis, suggested Warburgs, compared with only £10m under adminis-tration. The problem here is that, the group into adminstration or liquidation. in control of a mutual fund operation could allow trustees to

tration process will not give cause to anyone to create a change in the management con-tract," the administrators said.

Morgan Stanley acting as invest-ment banker.

The picture of BCMB group is also slightly blurred. It was announced that negotiations over the Stock Group, essentially the regional stockbroking interests, were under way with "a well-known British banking groups" and should be concluded group", and should be concluded within 24 hours. TSB, regarded as one of the most likely contenders to buy Stock Group, ruled itself out of the running, as did Lloyds Bank. NatWest Stockbrokers and Mid-

land Bank also appeared unlikely bidders, while a Barclays' repre-sentative claimed to be unaware of any talks over Stock Group. Assuming this deal goes ahead,

however, it would leave the dis-posals of Frovincial Bank and B&C Merchant Bank. The total package, suggested one analyst, might fetch about £70m, a figure roughly in line with the War-hyrer, "Flowdedtien" estimate. burgs' "liquidation" estimate.
After that come the professional services businesses, ranging from the Hampton estate agency operations to insurance broking. A number of these interests are thought likely to attract management bids, and estimates of the sale proceeds range between £100m and £150m.

The remaining assets are the development capital portfolio, put at £179m/£130m under the two Warburg scenarios, with analysts now pitching in the middle, and the property division, which B&C's advisers suggested could command £35m/£30m.

### Nova sale boosts Italian **LBOs**

By Bernard Simon in Toronto and Haig Simonian in Milan

NOVA of Alberta, the Canadian energy and petrochemicals producer, has sold its Italian valve-making subsidiary in a deal which marks a substantial step forward in the growing Italian market for leveraged financial transactions.

Nova said it has agreed to sell its wholly-owned Grove Italia of Voghera for L121bn (\$97m) to an investment group led by Sanpaolo Finance, the Milan-based merchant banking arm of Instituto Bancario San Paolo di Turino. Grove produces pipeline valves and flow control

While leveraged buy-outs have become increasingly familiar on the country's corporate scene, Sanpaolo says it is "one of the most important leveraged divestitures ever carried out in

Sanpaolo is taking a 31.75 per cent stake in the new venture, flanked by Arca Mercant and Cofilp, two smaller financial institutions, which will hold 15.87 per cent each. Nova will retain a 31.75 per

Nova will retain a 31.75 per cent stake in the investment group, for which it will pay CSSm (USS7.7m).

By contrast, Grove Italia's management, led by chairman Mr Luigi Fiore, will begin with an opening 4.76 per cent holding. However, this stake "will considerably grow in the future as the set goals of the operation are reached," according to Sanpaolo.

The disposal will give Nova an after-tax gain of C\$30m and further help it to lighten its heavy debt load.

Debt totalled C\$3.7bn at the

C\$2bn and improve the debt-to-equity ratio of its plastics and petrochemicals division from 42 per cent to 70 per cent.

Grove is the first component to

assets put on the block by Nova in mid-1989. Other parts of the package

Group turnover for Grove Italia in the first four months of this year rose to L50bn, and the company forecasts sales of L158bn for the year. Operating earnings to end-April amounted to L6bn.

### Saatchi fails to clinch sale of Hay in time for interim results

SAATCHI & SAATCHI, the troubled communications com-pany, has falled to conclude the sale of the Hay Group, the USbased management consultancy, in time for the publication of its

in time for the publication of its interim results today.

Although the deal — to sell the consultancy to its management — is still being negotiated, the delay will come as a blow to Saatchi, which has seen its share price more than halved since the start of the year. Saatchi is expected to announce today that it cannot pay an interim dividend and that its pre-tax profits fell from £20m (\$33.4m) to £12m in the six months to March 31. Saatchi is believed to have

Saatchi is believed to have agreed the framework of a deal to sell Hay for around \$50m over the weekend. The two sides had hoped to sign the deal in New

Hay, like the rest of Saatchi's consultancies, has been up for sale since last summer. Saatchi

By Raymond Snoddy in London

ading daily newspaper in the

He said yesterday in New York,

at the annual meeting of Berlitz International, the language

teaching group, that he was in talks to purchase a major US newspaper. He did not identify

Speculation immediately cen-

tred on the Minneapolis Star and

American Midwest.

his target or its owner.

MR ROBERT Maxwell, publisher of Britain's Mirror Group News-papers, is in the market to buy a has been negotiating with the management team for months, but its attempts to clinch the deal have been fraught with problems.
The Hay managers found it diff

ficult to find finance in the depressed venture capital mar-ket. The sale has also been blocked by logistical problems. Hav has more than 130 partners, all of whom have to sign the deal. There have also been prob-lems concerned with the Hay

pension funds.
Saatchi acquired Hay for \$110m (£65m) in 1984, as part of an ill-fated attempt to establish an international presence in management consulting. Saatchi, which needs to raise capital to management consulting, Seatth, which needs to raise capital to reduce its debts, originally hoped to raise between £200m and £250m from the sale of the con-

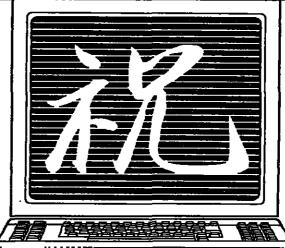
The disposals have proved so difficult that Saatchi now expects to raise less than £100m.

Mr Robert Louis-Dreyfus, who became chief executive of Saat-chi in January, has fixed prices for management buy-outs with the consultancies in the hope of encouraging them to improve their performance until the deals are finalised.

He said that some companies

- including Gartner, the computer services consultancy, and
Litigation Sciences - were faring better. However the condiwhich is involved with the depressed recruitment market, has deteriorated. • Mr Martin Sorrell, chief exec-

ntive of the WPP Group which recently replaced Saatchi as the world's largest marketing services group, increased his salary from £505,000 to £629,000 in 1989, according to WPP's annual report. Mr Sorrell is a former finance director of Saatchi, where the directors recently took



### Congratulations from the Willis Group in London and Tokyo

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#### INTERNATIONAL COMPANIES AND FINANCE

### Anglo American up 20% despite decline from gold

By Philip Gawith in Johannesburg

ANGLO AMERICAN, South Africa's largest mining house, increased attributable earnings by 20.1 per cent to R1.51bn (\$566m) in the year to March, despite a drop in earnings from their gold mining interests.

The improved results . which on an equity accounted basis were up 18.3 per cent to R3.13bn — testify to the group's diversity. The star performer was diamonds, earnings from which rose 30.9 per cent to R889m, the largest single contribution to equity-accounted earnings.

Mr Julian Ogilvie Thompson, chairman, noted that the split-ting of De Beers' local and foreign interests into two separate companies, with their shares linked for trading purposes, had added to the value of the group's 32.7 per cent holding in

De Beers. He added that no such split was envisaged for Anglo American, saying there would be little or no logic to the move. Gold and uranium contributed just 11.9 per cent to equity accounted earnings. The sever-ity of the profitability decline being experienced by the industry is shown by the fact that this figure was 29.7 per

cent three years ago.
Other mining activities, coal and platinum in particular, performed well. Industrial interests performed satisfacto-

holdings in Minorco, JCI and South American investments, contributed R649m to equity-accounted earnings, or 20.7 per cent of the total.

per share were 18.3 per cent up at R13.52 and the total dividend was increased 20.4 per cent to R3.25 cents. Mr Ogilvie Thompson said that 1990 was seen as year of consolidation and that earnings were not expected to grow as much as last

 Anglovaal, another big min ing house, has announced esti-mated consolidated earnings of R232.4m for the year ending June 30, an improvement of 27 per cent. The dividend is 21 per cent up at 92 cents per share. Mr Clive Menell, deputy chairman, said the better earnings were mainly due to improved equity-accounted earnings at Associated Manganese Mines and an expected improvement at Anglovaal

# **PA** Consulting in venture

PA Consulting Group and K.K. Ashisuto, a leading Tokyo-based software supplier, are joining forces to offer consul-

tancy to the Japanese. A company, APA KK, 70 per cent owned by PA and capitallsed at Y30m (\$190,000), will be formed. The rest of the equity will be split between K.K. Ashi-suto; Mr Toshiaki Sakakibara, APA KK President whose computing career includes experience with IBM, Mobil Oil Corporation and American Express; and Mr Charles Cronheim, IT director for Mobil Oil

Japanese companies have traditionally made little use of ferring to rely on hardware vendors. They are beginning to move increasingly to "open" or industry standard systems, where design of hardware is less important. PA reckons information technology (IT) consultancy to be worth \$600m in annual fee income in Japan, and growing at more than 20

Fondiaria bets on a simplified ownership schedule The Italian insurance group hopes that the latest control change will add stability, writes Haig Simonian

our changes of owner-ship in almost as many years is not the usual recipe for making a successful business, let alone one in the conservative world of insurance where consistency is a highly regarded attribute

That Fondiaria, Italy's fourth

biggest insurer, has managed to survive and even flourish provided by Mr Alfonso Mining finance, primarily Scarpa, made general manager at the start of 1982, and managing director since mid-1985. Mr Scarpa has successfully steered the group through the troubled 1980s, when its destiny was controlled, progressively, by a small shareholders' product and the Medical Controlled to the cont Equity accounted earnings pact guided by Mediobanca

the merchant bank; the Mon-tedison chemicals group; Fer-ruzzi; and now GAIC, a finan-cial group controlled jointly by Paleocapa, the holding com-pany of Mr Carlo De Benedet-ti's brother Camillo De Bene-detti and Eggrand Financiaria detti, and Ferruzzi Finanziaria (Ferfin). Recently, even Paleocapa has been joited by the decision of Mediobanca and Lazard

Frères, two important share-holders, not to participate in the rights issue to help finance

the Fondiaria purchase. And Mr Carlo De Benedetti's CIR group has dented reports that it will fill the gap. The latest change in owner-

ship has come hand in hand with a tax-inspired restructur-ing at Fondiaria. This involved establishing an ultimate holding company and a group operating unit, the independently listed La Fondiaria Assicura-

From a collection of independent companies, the reorgani-sation should help create a coherent group with a co-ordi-nated marketing strategy, and promote cost savings, which could add 40 per cent to group profits by 1993, according to Mr Scarpa, who is on the board of Ferruzzi Finanziaria,

structure, which gives GAIC 51 per cent of Fondiaria, will provide the security the company has sought. He says Fondiaria has now "established a shareholding group which will sup-ply support." Among shareholders taking part in GAIC's L3,600bn

(\$2.9bm) rights issue now under way to finance the deal, are

Aachener und Münchener

Schering-Plough and Merck, two much bigger US medicines groups, with which the German businesses are linked only by historical ties.

Schering-Plough took over

Schering's drugs interests in

the US when these were confis-cated after the Second World

War. Merck, the world's big-gest pharmaceuticals company, has grown strongly since it was founded last century in

the US by a descendant of Mr Jacob Merck, who started

E. Merck in Germany in 1668. Members of the Merck family

still control R. Merck, though some shares in the company's Swiss subsidiary are traded

Largely because of these past

events, neither Schering nor E. Merck are well known in

North America. Neither have

tried particularly hard to build their presence there in recent

The region accounts for

claims that the new ownership



Alfonso Scarpa; shareh group 'will supply support'

(A&M), the big West German insurer with which Fondiaria has close links, and the Long Term Credit Bank of Japan. Although not directly involved in GAIC, Royal Insurance of the UK, which has a 20 per cent stake in A&M, is another participant in the net-work. In a deal struck last July, Royal paid Fondiaria L220bn for 90 per cent of Lloyd Italico, a small general insurer, with Fondiaria retaining the

This year Fondiaria's patch-work was extended with the arrival of Group des Assur-ances Mutuelles Agricoles (GroupAMA), a diversified French mutual insurance group. In a L560bn deal, it bought 20 per cent of La Fondiaria Assicurazioni. GroupAMA spent a further L180bn on a 5 per cent holding in GAIC, with commitment to participate

fully in the rights issue. Ferfin's desire to pull out of direct ownership of Fondiaria was an open secret for much of 1989. But Mr Scarpa claims that the deal with GAIC, of which Ferfin now holds 25.5 per cent - identical to Mr De Benedetti's Paleocapa - was a solution serving everybody's interests.

Apart from Ferfin's wish to reduce debt and concentrate on core industrial businesses, the core industrial businesses, the group may have been swayed by last year's battle for Groupe Victoire in France. Mr Scarpa suggests that this provided graphic insight into the sums needed to develop a European insurance business.

But "Ferfin was behind our strategy and did not want to sell out completely," says Mr Scarpa. The transaction left

Ferfin L2,700bn better off after

trolling Fondiaria.

With a new shareholding base established, Fondiaria's strategy involves further developing the alliances it has been accumulating since first joining forces with A&M in November 1988 to take equal stakes of just over 25 per cent in Volksfürsorge, the German life insurance group formerly owned by the country's trade

espite spending some DM750m (\$444m) then, Fondiaria has otherwise eschewed big bids. Money or the lack of it - is partly the cause. Although one of the top 10 companies in Italy by stock market capitalisation, Fondiaria is not a major player in the European insurance

industry.

Group premiums for last year were L3,018bn. Most stemmed from Italy, where Fondiaria ranks as the third biggest private-sector insurer behind Generali and RAS, the Allianz subsidiary.

Fordiaries size explains

Fondiaria's size explains why some Italian analysts

as the most likely domestic candidate. Italy's higgest insurer retains 5.65 per Cent of Fondiaria, while Mr De Bene detti is deputy chairman of Generali. However, that post is likely to be relinquished this year,

says Mr Scarpa. We remain friends and competitors with Generali, he says, rejecting any hint that the latest moves may bring the two companies choser together. Instead, Mr Scarpa says he will concentrate on building alliances, while mak-ing use of the cash generated by the group's restructuring to develop Italian business. He spurns the huge deals that have erupted in the Euro. pean insurance industry in the run up to the arrival of the singie European market in 1992 "Just buying a company doesn't make the acquirer more European," he insists

"You need to have structures and shareholders which are also European."

Hence his emphasis on building a network of partnerships, sometimes underscored by small equity stakes or joint ventures as a way of binding like-minded European insurers;

# with Japanese supplier

per cent a year PA is one of the main UKbased IT consultancies, with broad experience in the software tools and methodologies needed for modern systems creation. K.K. Ashisuto was founded by Mr Bill Totten, a alises in marketing US soft-

#### Spare some sympathy for Schering and E. Merck, West Germany's fourth and sixth biggest pharmaceuticals companies. Both have suffered rebuffs in efforts to find partners in important parts of their busines

Also, both have problems in selling pharmaceuticals in the US, the world's largest drugs market, for reasons tied up with events decades ago. The companies have broken off talks with Degussa, a West German chemicals business,

and Sandoz, the Swiss chemicals and drugs group.
Degussa was to have joined with the privately-owned E. Merck's medicines division, while Sandoz was to have combined the action to the combined the comb while Sandoz was to have com-bined its agrichemicals divi-sion with Schering's. The Schering/Sandoz venture would have created one of the top six agrichemicals groups. E. Merck and Schering have expressed disappointment at

the breakdown in talks, although they say it should not deflect them from efforts to build their drugs businesses, especially in the US. Schering and E. Merck are frequently confused with Schering-Plough and Merck, two much bigger US medicines groups, with which the German businesses are linked only higher than the Merck's and 13 per cent of Schering's sales and 13 per cent of E. Merck's. Both companies say, however, that they are looking for expansion in the US. So far expansion in the US. So far Schering has made the most headway. It is making a bold effort to boost sales in the 1990s through the planned acquisition of Codon, a small Californian biotechnology company, for a price believed to be about \$80m.

German chemicals mixture fails to gel

odon, with yearly sales of about \$10m, has spe-cial expertise in biotechnology techniques that could be used to develop drugs count be used to develop drugs for treating heart conditions and nervous complaints, two fast-growing medicine sectors. Schering is spending about DM100m (\$59m) a year, roughly a quarter of its drugs research and development budget, on studies in these fields studies in these fields. Most of this work is

done at the company's main

laboratories in Berlin.
Schering is talking to
Yamanouchi of Japan about a ioint venture there in oral contraceptive pills. Schering is the third biggest company in this \$2bn-a-year international business after American Home Products and Johnson & Johnson, US drugs companies.

The Japanese Government, citing ethical and safety arguments, does not permit sale in Japan of birth-control pills but is reviewing the position.
Schering and other large contraceptive-pill groups hope the market will be opened within

the next two years. Professor Hans Joachim Langmann, E. Merck's 65-year-old chairman who is related by marriage to the Merck family, says the company aims to stay privately owned. It benefits, he structure and not having to worry about shareholders or a supervisory board. "We can

### Peter Marsh finds link plans dashed at both Schering and E Merck SALES BREAKDOWNS (1989, DMbn)

5.84 E MERCK

take a long-term view," he lys. Both Schering and E. Merck are strong in imaging chemi-cals – a small but highly prof-itable area of the drugs business. Sales of about \$2bn a year are controlled by a handof companies, which

includes the two German

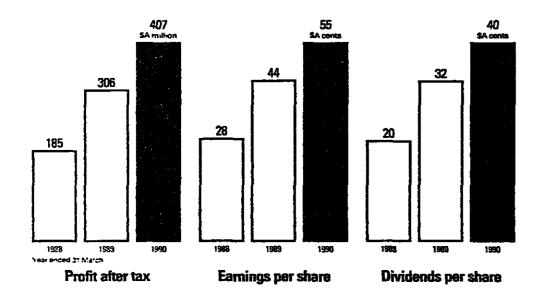
groups, Sterling Drug of the US and Norway's Hafslund Nycomed. E. Merck owns 50 per cent of Bracco, as helian maker of imaging chemicals. The materials are used in

medical diagnosis with X-ray and magnetic resonance imaging (MRI) equipment.
Dr Giuseppe Vita, Schering's chairman, is enthusiastic about the company's Magney.
ist, an imaging chemical which
is the first product in this field
Dr Vita, an Italian who took over at Schering last year, says

Magnevist will have sales of DMi00m in 1990. Neither Schering nor E. Merck are dependent on pharmaceuticals. Schering. besides its agrichemicals interests, has a strong position in electroplating chemicals and equipment, a \$1.3bn.s.year business in which it claims a

quarter of world sales. E. Merck has a large business in laboratory chemicals and is the biggest company worldwide in two specialised segments of the chemicals industry — liquid crystals used cial pigments based on mice

# CSR's profit up 33%



CSR Limited, one of Australia's largest public companies, is a major international building and construction materials company, which is well placed to continue to develop its substantial operations in Australia, North America, the UK and Europe.

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All businesses again performed well in 1989-90.

Further details on CSR's results and prospects will be in the annual report to be available on 25 June. For a copy, please complete and Manager Investor Relations, CSR Limited, GPO Box 483, Sydney, Australia 2001.

**CSR**<sup>™</sup>

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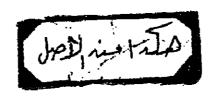
June 5, 1990 Landon By: Cribank, N.A. (CSSI Dept.), Agent Bank

CITIBANC

Odartech, the Luxembourg subsidiary of Cimen's Français International, has acquired a 23.5% stake in Belgium's Compagnie des Ciments Belges (CCB). CCB operates a facility at Gaurain near Tournal (Belglum) with a production capacity of 3 million metric tonnes of cement per year. Sales to Benelux markets totaled 1.1 million metric tonnes in 1989. CCB is also involved in the production of construction

materials : aggregates (6 million metric tonnes) ready-mixed concrete, light weight aggregates, minera filler, and cut stone.

In 1989, the company generated total revenue of 5.5 billion Belgian francs (FFr 900 million).



#### INTERNATIONAL COMPANIES AND FINANCE

# r Saudi banks

esults from Saudi Arabian hanks are showing a rapid and sustained vement in profitability in and for the first quarter of

lajhi Banking and Invest-Corporation (Arabic), the ly created Islamic bank net profits of SR1.1bn m) last year, while there fourfold improvement at d Saudi Commercial (USCB) to SR95m ang the foreign joint ven-

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ostitutions, profits more doubled to SR80m at Dutch Bank and there a jump of some 80 per t Saudi American Bank n Saudi British Bank ble to bounce back from a f heavy losses in 1988 to profits of SR123m.

positive picture for 1989 being further brighty generally buoyant 1990 larter performances. larter performances.

many banks, last year significant lightening of orden of problem loans dogged the 1980s. While ioning at some banks inced flat, banks like.

Saudi Dutch, Saudi (after making provificarty SR200m in 1988)

SCB set aside less for some

Saudi banks last year significant lightening burden of problem which dogged the writes Our Riyadh

officials boasted of cant gains" and "break-is" this year in settling its for loans that had d the institutions for "There is less in loan ovisions now so more are going into the botmanaging director of

Samba itself, he says, rn is probably now" in ming. Samba's position ded by the successful - 35 recovery efforts of a "remedial managegroup which was able to SR36m for the bank

rtheless, Riyad Bank, and largest in the king- terms of assets after
 1 Commercial Bank, ed to raise provisions
281m, setting aside
more than last year. a 30 per cent pick-up in erating income, there-ofits fell slightly last SR255m after added

ns along with a high e much smaller Saudi nent Bank, despite nt collection efforts,"
ras also a continued
nent to increased proig. It added SR25m
he budgeted goal of

e tougher credit evalu-

. 20%

at all the banks, loans to the at all the canks, loans to the private sector are rising at a moderate pace. Credit to deposit ratios at all the institutions still remain very low, in the 20 per cent to 30 per cent range, with Saudi French Bank at the ten with almost 40 per at the top with almost 40 per

The level of deposits abroad remains high. According to an analysis of banking trends over the last decade by the Riyadh-based Consulting Centre for Finance and Investment, denotity abroad as a recognit. deposits abroad as a percent-age of total deposits of most of the banks have steadily increased. In 1988, nine banks crossed the 50 per cent mark, a position many of them still hold.

But bankers lending to the private sector are noticing a resurgence of economic activity in general and talk optimistically of an increase in quality lending opportunities over the coming year which should coming year which should boost their loan portfolios. In addition to the traditional

operation and maintenance contracts they foresee more financing opportunities spin-ning off from the sizeable Saudi Aramco and Sabic expansion programmes as well as the US and UK offset pro-

Bankers also talk of a lot more private money finding its way back into the banking system and deposits continue to climb at most institutions. "We are all attracting a lot more deposits and we're all still pretty liquid," notes one senior banker in the kingdom.

Although deposits are rising,

however, the Consulting Centre notes a slight drop in the rate of growth in deposits in

After two years of painful After two years of painful slashing of expenses, a number of the larger banks are also starting to increase spending moderately to expand their market share and diversify their services. "Most of the tough cost-cutting was done in 1987," points out Mr Andrew Dickson, deputy managing Dickson, deputy managing director at Saudi British. Another bank manager adds: "We are now seeing the fruits of belt tightening after the explos" of expenses over the

Operating expenses have been inching up at Saudi French, Samba, Saudi British, Arab National and Riyad Bank. There has been a significant investment in computerisation and enhanced operating effi-ciency over the past comple of years in most institutions. USCB, however, cut its expenses by a third in 1989.

With cost-cutting largely behind them, banks have been seeking other means of enhancing profitability. Besides com-mitments to build quality cor-porate loan portfolios, some bankers also see a further potential in retail banking. "Retail banking is starting to assert itself in a deposit sense," says one bank manager.

id approval standards

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aranteed Floating Rate Notes due 1990

# Haig Sin Tighter times | Bond Media minorities hold key

By Our Financial Staff

PRIVATE investors in Bond Media, operator of Australia's ago. But it ruled that Bond Channel Nine television network, yesterday gained a cenwork, yesterday gained a cen-tral role in deciding the fate of the embattled company when the National Companies and Securities Commission (NCSC), the country's securities watchdog, barred Mr Alan Bond's companies from voting through its planned change of

control.

The NCSC gave conditional approval to a complex weekend deal which will return control of Bond Media to Mr Kerry Packer at a fraction of the A\$1bn (US\$775m) at which he

private company, cannot vote their combined 64 per cent stake in Bond Media at a meeting of its shareholders which will pess judgment on the deal.

The Bond group had initially contributed their their contributes their their states.

committed itself to voting the holding in favour of the sale, which involves a recapitalisa-tion converting A\$200m existing preference shares held by Mr Packer's Consolidated Press ldings into Bond Media ordi-

nary shares. Bond Media said at the week-

New Issue

end: "After the recapitalisation Consolidated Press will have a controlling shareholding in Bond Media in excess of 50 per

Mr Henry Bosch, NCSC chairman, said the terms of the proposal created a technical association between the two parties. Control of the group was thus set to change hands without shareholders being given the opportunity to partic-ipate in any offer.

The deal pushed Bond Media shares 8 cents higher yesterday to stand at 17 cents. The swift decision by the authorities reflected a tight

Press in the Western Austra-lian Supreme Court for it to be wound up. Mr Packer was likely to have pressed ahead with this if he had not secured an agreement which would

approval by the court and by a syndicate of banks owed A\$367m by Bond Media.

bring the company back in his

The deal is still subject to The NCSC decision leaves only minority shareholders with the right to vote at the also costs associated with the

### **CSR** increases net profits by one third

CSR, the Australian sugar and building materials group, boosted net profits by a third to A\$406.9m (US\$315.4m) from A\$306.4m in the year to March, a period during which it bought the ARC America aggregates business which was formerly part of the UK's Con-solidated Gold Fields, Our

Financial Staff writes. The new units "incurred nor-mal winter seasonal losses in the two months during which they were owned by CSR," according to Mr Ian Burgess, managing director. There were

acquisition and rationalisation of the ARC operations as part of its moves to "consolidate and extract full value from ARC America," divest surplus assets and seek other highyielding businesses.
Total revenue rose 8 per cent

to A\$5.66bn. Profit in the tim-ber products division fell 22 per cent to A\$37.1m but earnings from sugar jumped 50 per cent to A\$102.5m. With a final 24 cents against

18 cents, the dividend is being lifted to 40 cents from 32 cents. Earnings were 55 cents a share against 44 cents.

#### Slow first half for Fuji Film

FUJI PHOTO Film, Japan's leading maker of photographic film, edged up worldwide net profits 3.9 per cent in its first half to April 20, to reach Y44.12bn (\$231.8m) although sales grew by a faster 13 per cent to Y508.8bn.

It expects a better rate of earnings growth for the full

It expects a better rate of earnings growth for the full year, however, with an after-tax consolidated profit fore-cast of Y91hm, up 9.2 per cent. Sales of Y1,040hm are expected, topping Y1,000hm for the first time.

The group has been invest-ing vigorously in new-facili-ties, including a plant in the Netherlands which has recently come on stream. Puji has a 70 per cent market share for film at home and internationally is seeking to gain ground against Eastman Kodsk

For the six months its core camera and film products showed the strongest growth in turnover. Divisional sales rose 16.6 per cent to Y251.6bn.
Sales of commercial products
were up 9.9 per cent to
Y201bn. Magnetic products at
Y56.2bn increased 9.2 per cent. The parent company alone showed pre-tax profits of Y83.15bn, up 11.3 per cent. The full-year outcome there is

The full-year outcome there is projected to be Y165hn, an increase of 9.1 per cent.

Fuji is maintaining the interim dividend at Y7.25 per share and expects an unchanged total pay-out of Y14.50 — there had been some ation that it might rise to VIS.

#### Email ahead in spite of fall in spending

EMAII, the Australian white goods and industrial products manufacturer, lifted not profit 5.2 per cent to A\$80.1m (US\$61.7m) in the year to March, affected by a fall in consumer spending and sharply higher interest costs, Reuter reports from Sydney.

It also took an extraordinary loss of A\$60.5m on brand names acquired through the purchase of the Simpson Holdings appliance and Bunge Amstralia metal distribution businesses The Asset Teacher Teach nesses. The two new units

belped boost turnover 29.6 per cent to A\$1.36bm. Sir Peter Finley, the chair-man, said: "The company has man, said: "The company has the capacity to take advantage

of favourable opportunities for expansion."

• Wormald International has sold its 25 per cent stake in Australian Submarine Corporation for A\$29.15m to the other partners - the govern-ment-controlled AIDC and Kockums of Sweden. Wormald is selling most of its busi-nesses to Tyco Laboratories of the US the US.

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May, 1990

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### INTERNATIONAL COMPANIES AND FINANCE

# Time for chairmen to heave a sigh of relief

Roderick Oram reports on the way proxy votes have forced boardrooms into action

ow that the annual drawn to a close across the US, you can almost hear the sighs of relief from many

Rarely have so many man-agements been challenged by their shareholders now that proxy fights, once a glamourless tool of corporate governance, have become one of the favourite weapons of Wall

Proxy fights - whereby a shareholder vote is sought to overturn management decisions - have enlivened the nearly moribund takeover scene, helping bidders over-come difficulties created by their targets' legal defences. They are also giving a voice to those institutional shareholders which hanker after a more active role in the companies

they own.
But crucial questions still hang over them. Are they becoming a permanent prod to incumbent managements or are they just the latest Wall Street fad? Will they fade away again once financial, legal and

market conditions change?

The new-found importance of the proxy fight is permanent, argue a handful of Wall Street firms – such as Georgeson, D. F. King and the Carter Organisation – that lead such fights for dissident sharehold-ers or defend companies They are one of the most

effective ways to tackle man-agements which now have more protection from takeovers than ever before. A grow-ing number of states, for example, are passing statutes to protect local companies.

Moreover, managements are

feeling less threatened by cor-porate raiders since the junk shareholders backed a non-binding Torchmark resolution

bond market collapsed and banks grew more cautious about lending money for acqui-

Mr John Gavin, president of D. F. King, said proxy fights were the mechanism of choice a friendly deal as insurance regulators frown on hostile now the ease of takeovers had gone. The threat of dissidents takeovers. throwing directors off the board is giving them second thoughts about blocking a

Broadly speaking, proxies

calling for American General to put itself on the block.

The board acquiesced and is seeking offers of about \$7bn, with Torchmark certain to bid. Torchmark needed to instigate

The tactic is far from being a sure-fire winner. BTR, the British conglomerate, launched a \$1.6bn bid for Norton and began a proxy fight to disman-

back, outlining its own plans and making concessions to shareholders demanding more say in the company. Some shareholder representatives will join the board and the company agreed to remove some legal impediments to

takeovers. The concessions, coupled with Mr Simmons' inability to convince enough shareholders he was a serious manager and not a raider, gave the incum-

Crucial questions still hang over proxy fights. Will they become a

permanent prod to incumbent managements or are they just the latest Wall Street fad? Will they fade away again once financial, legal and market conditions change?

are being used in three different contexts: as a weapon to expedite a tender offer; to gain control of a board without making an offer for the company's stock; or to force the board to take specific

In the first, actual or threatened proxy fights have been used with great success in several high-profile takeovers this spring. Georgia-Pacific used three proxy initiatives to dis-mantle defences of Great Northern Nekoosa, forcing the forest products group to accept a \$3.6bn takeover, and UAL accepted a \$4.38bn employee buy-out proposal after a share-holder, Coniston Partners, threatened to oust the airline's beard if it did not

board if it did not. Torchmark, a small insurer, succeeded in putting American General, a much larger competitor, into play through a proxy fight. It failed to get directors sympathetic to a takeover elected to the board, but many tle its legal defences. But BTR misjudged the strength of local

misjungen the Shength of Acts
support the Massachusetts
industrial group rallied.

In the end Norton agreed to
a bid from Saint-Gobain of
France which offered more
money and stronger safeguards money and stronger safeguards for the local community than Most notable in the second

area this spring was the case of Lockheed. Mr Harold Simmons, the Texas investor, tried to fill the Lockheed board with his own nominees. He told share-holders his team would run the aerospace contractor, beset by declining defence budgets, better than its incumbent direc-

But was he just trying to make the best fist of his 19 per cent stake in Lockheed? With takeover activity cooling, acquisition money drying up and Lockheed's prospects dimming he was facing a paper loss of \$100m on his stock with

no hope of bids for the company. Lockheed's board fought bent board a comfortable vic-

In the third area, shareholders have tried to force compa-nies to take specific actions. Most notably Mr Carl Icahn proposed that USX spin off its steel operations. But the New York investor's timing was ter-

Steel is beginning a cyclical downturn and Wall Street knows he is stuck with a 13.3 per cent USX stake and is unable to make a takeover bid in today's climate. He lost the vote by a wide margin.
At other companies, share-holders have chipped away at

defences through annual meeting resolutions. Typically they seek to dismantle impediments seek to dismantle impediments to takeovers, such as poison pills and elements of Delaware state's corporate charters. Such campaigns are being led by a small band of inter-repationist institutional inves-

ventionist institutional investors. One of the most vocifer-ous is the California Public Employees Retirement System, a huge pension fund and a supporter of Mr Simmons against

But, said Mr John Wilcox, a senior official at Georgeson most of these resolutions were non-binding and there were far fewer of them in the current

fewer of them in the current meeting season than expected. A few years ago the Department of Labour began to more accountable for their proxy votes. Representing about 25 per cent of all institutional shareholder assets, the funds now consider their positions more carefully and often seek guidance from newly-formed guidance from newly-formed advisers such as Institutional

Shareholders Services.
Institutional shareholders conscious of their fiduciary responsibilities, are more likely to vote for dissidents than individual shareholders, the latter might be more amenable to a might be most ancience to a management's plea for a longer view. Institutions hold about 47 per cent of Lockbeed's stock and had held about 69 per cent

of Norton.

Mr Arthur Ross, president of Carter, maintained that share holders really did listen to proxy pitches. "Lots of them change their votes in the final 24 hours or so" of a fight.

Most of these fights represent only small victories for shareholders. With management

shareholders. With manage-ments still wielding enormous power, fully fledged investor emocracy is a long way off.

But it would be a mistake for

them to think that the end of the annual meeting season marks the end of the hunting season. Many companies' by. laws allow shareholders to solicit support for special meet-ings any time during the year-and, given the popularity of proxies, they are likely to be year-round irritants to manage-ment.

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### Corona plans to divide in | Kinburn owes Royal and fight for Stikine control

By Robert Gibbens in Montreal

MR NED GOODMAN, the MR NED GOODMAN, the Toronto financier, plans to split his Corona Corp into two separate holding companies, one mining and the other financial services, as he fights for full control of Stikine Resources against Placer Dome, North America's biggest gold producer.

Stikine owns half the Eskay Creek gold property in remote

Creek gold property in remote northern British Columbia where indicated reserves are 6.5m tonnes of ore grading 0.53

oz of gold.

The other half is owned by
Prime Resources, another
exploration company owned 20 per cent by Corona. Four or five new gold mines are likely to be developed in the Eskay River area, analysts say.

Corona opened the bidding for Stikine in April by share exchange. It does not have

large cash resources.
Then last week Placer, with more than C\$700m (US\$590m) cash available, bid C\$67.50 a share cash for Stikine, valuing

This weekend Vancouver promoter Mr Murray Pezim, ad of Prime, revealed that Mr Goodman planned a big restructuring of his companies, dividing them into a mining

Also Prime Develo

holding company and financial

services group.
The mining company, known as Corona Gold, would be 50.2
per cent owned by Mr Goodman and Stikine shareholders
would get Corona Gold shares plus an estimated C\$76 per Sti-kine share following the restructuring.

Yesterday Corona expanded on the restructuring, while trading in Corona and Stikine stocks remained halted. Mr Brian McArthur of Bunting Warburg, Toronto, said. There are too many uncertainties. There would be two separate Corona companies with differ-Corona companies with different market valuations. The value of the Stikine bid may be more than C\$76, but we will not know until trading reopens in the stocks."

Mr David James, mining analyst with Richardson Secu-

rities of Canada, said Stikine shareholders would get Corona Gold shares and also a stake in the financial services group.
"It's an attractive offer and

based on last week's prices it could be worth around C380 per Stikine share. Some details of the restructuring are still not known, but Placer may be a little late in the gan Millionaire-maker, Page 36

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# **Dominion banks C\$237m**

By Robert Gibbens

THE ROYAL BANK of Canada and the Toronto Dominion Bank are together owed C\$237m (US\$202) by the trou-bled Kinburn high technology

group.

The Royal leads a syndicate a total of of seven banks owed a total of C\$358m by Kinburn in default on these loans and on nearly C\$420m of loans from BCE, the holding company that owns Bell Canada, the eastern Can-ada telephone utility. The banks have priority in negotia-tions now under way to sell most of Kinburn's assets. Kinburn owes the Royal C\$160m and the TD C\$57m.

Central Guaranty Trustco C\$41.5m, and lesser amounts to Swiss Bank Corp (Canada), Caisse Centrale Desjardins, Canada Trustco and Ahn Bank

turing subsidiaries and the profitable 50.1 per cent-owned SHL Systemhouse, a large systems integrator, were pledged against the loans. All these assets are for sale. The Kinburn group, built up by Mr Roderick Bryden, the

Canada. Kinburn's manutac-

Ottawa entrepreneur, found-ered early this year because of excessive debt, poor results from SHL and the cost of taking private Paperboard Indus-Toronto: The 9,000 members de the International Association of Machinists employed by Air Canada have voted 84 per cent in favour of strike action following rejection of a company offer to renew a contract which expires June 24, the union said

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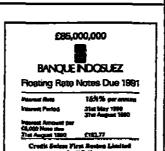
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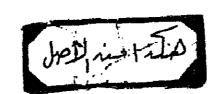
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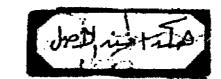
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### NANCIAL TIMES TUESDAY JUNE 5 1990

#### INTERNATIONAL CAPITAL MARKETS

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nese bonds since the bond market has traditionally followed the fortunes of the currency.

However, investors are increasingly turning to the yield differential between US Treasury bonds and Japanese government bonds as an indi-

government bonus as an inter-cation of value in each market. With a yield differential of 153 basis points between the two which has narrowed in recent weeks, some foreign investors

are turning to the cheaper Jap-anese market.

■WITH most other European bond markets closed, gilt-edged

securities were the centre of attention yesterday as they weathered the turbulence of a volatile day. After a higher opening, gilts prices were pushed down by the release of strong April sales figures showing strength in demand across the board. The volatility highlighted the illimidity of

highlighted the illiquidity of the market where activity was dominated by traders dealing

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er for a yield of 8.42 per and short-dated maturimost sensitive to any hint imminent change in mony policy, were around is up from Friday's closing

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ially no employment th apart from those workaken on to carry out the meus. This did not appear cord with other indicators, ding Friday's survey from purchasing managers, h suggest a noticeable and in the manufacturing r and a jump in overtime hours worked which sted that those who are

ork are more stretched. erall, the figures were to suggest that the US ral Reserve may have scope to ease but there is a feeling that the Fed will ery cautious about any move with core inflation ubove desirable levels. Roya re is very little economic

JAPAN: No 119 4.800 6/99 No 2 5.700 3/07 7.750 02/00 93.9000 +0.080 5.69 8.76 FRANCE BTAN OAT R750 05/00 91.2000 +0.100 · 10.75 11.30 · 11.70 9,000 05/00 100.5300 + 0.440 8,82 8,86 9,07 12,000 7/99 92,4925 +0,250 13,44 13,49 13,68

news this week with only auto sales today, and chain store sales and consumer credit on Thursday, of much interest.

New supply is not much of an issue this week with only yesterday's Treasury bill auctions slated, albeit with a higher total of \$17.2bn. ■ THE Japanese Government

bond market continued to draw strength from Friday's rally although profit-taking saw the yield on the 119 bond close not far off its high-point in Tokyo at 6.91 per cent. London trading of Japan bonds was quiet yesterday with the yield moving in a range of several basis points and ending close to the Tokyo level. Activity in the yen bond futures contract on the London International Financial futures Exchange was low and the September contract traded only 95

lots.

The firming of the dollar against the yen yesterday discouraged some buyers of Japa-

FT GUIDE TO WORLD CURRENCIES

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### nks Cutures fund backed by Lloyd's broker

eborah Hargreaves W futures fund which has

set up by John Govett gement is the first to insurance from a Lloyd's

Paragon Sterling fund les a guaranteed return /estment - as do most s funds currently being o in the UK - and is

insured by Special Risk Services, a broker serving the cial Guaranty Insurance Corporation in the US.

The insurance guarantee means that investors will receive the amount of their original capital at the end of the investment term. The broker is insuring the guarantee with a surety bond from Finan-

The John Govett fund is the third UK futures fund to be created in the wake of much publicity surrounding man-aged futures in the UK, after the Department of Trade and

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Floating Rate Notes due 1996

Notice is hereby given that the rate of interest on the above Notes for the period 1st June, 1990 to 31st August, 1990 has been fixed at 10.125% per annum, payable 31st August, 1990.

The amount payable against Coupon No. 16 will be \$25.59 per \$1,000 Note.

J. Henry Schroder Wagg & Co. Limited Reference Agent

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In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 6th June, 1990 to 6th Soptember, 1990 the Notes will bear interest at the rate of 8 7/16% per annum. The Coupon amount per US \$10,000 Note will be US \$215.62 The Interest Payment Dute will be 6th September, 1990. uel Montegu & Co. Lis Agent Bank



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Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 31st August, 1990 has been fixed at 15.25% per annum. The interest accruing for such three month period will be £384.38 per £10,000 Bearer Note, and £3,843.84 per £100,000 Bearer Note, on 31st August, 1990 against presentation of Coupon No. 6.



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**U.S. Dollar Floating Rate** Notes due February 1994

For the interest period 31st May, 1990 to 31st August, 1990 the Notes will carry an interest rate of 8.30688% per armum with a coupon amount of U.S. \$212.29 per U.S. \$10,000 Note, payable on 31st August, 1990.

Bankers Irus.
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#### INTERNATIONAL CAPITAL MARKETS

### Redemption of Enel FRN issue causes confusion

THE redemption of a floating-rate note issue for Enel, the Italian state-guaranteed electricity utility, caused confusion on the Eurobond market at the end of last week. Some investors say they lost money because the deal was improperly called for redemp-

J.P. Morgan has admitted human error and said it is working with note-holders to

The \$300m callable issue due to mature in 2005 was launched in 1985 by J.P. Morgan. It employed a so-called mismatch structure whereby interest periods can move out of step with fixed interest pay-According to investors, the borrower had the right to give notice that it intended to call the bonds on any payment date, except where the payment date did not coincide with the end of the current

interest period. However, only after the end of May payment date had passed last week did J.P. Morgan's Trust Department in New York announce that the issue had been called for value date May 31. baffling investors who had assumed the notes would not be called at least until the end of June when the latest interest period expired In addition, investors say there was no notice given and argue this constitutes a double breach of the issue terms. J.P. Morgan said yesterday that it was given timely notice of the borrower's intention to call the issue, but that it falled itself to give notice within the

prescribed period.

It is understood that the Euroclear and Codel clearing systems, where all of the notes are held, were not advised of the call until last Friday.
This meant investors holding the redeemed notes could not use their money for good value

### Hungarian travel group seeks wide spread of retail investors

By Andrew Baxter

IT is fitting, perhaps, that the first east European company to experience the delights of one peculiarity of late 20th century capitalism - the international roadshow - should be a travel company.

Executives of Ibusz, the Hungarian travel agency, tourism and financial services concern which next week becomes the first privatisation\_by public offering in eastern Europe, are more used to handling the logistics of mass tourism than the questions of financial journalists and potential investors. Yesterday's stop, London, marked the start of the second week of a tour that began in

Budapest and will end in The itinerary might look a little heavy for an issue that is raising only about \$33m, exclu-

ding a private placement reserved for Ibusz's 2,750 But the event has a symbolic significance that goes beyond the bare figures, officials of Ibusz and its owners, the State

Property Agency, claim.
Mr Istvan Tompe, the agency's managing director, admits the deal is tiny in western terms, but it is providing a model for one type of privatisa-tion that could be used again as Hungary unshackles its state economy. As one of Hungary's more successful compa-nies, and a well-known name domestically, Ibusz is also seen as the ideal first step in fulfill-ing the Hungarian Government's aim that at least one quarter of the Hungarian popu-lation should become share-holders this decade.

However, with no infrastruc-ture of investment banks nor any recent tradition of private investment in publicly-quoted companies, Ibusz and its advisers have little clear idea of who the "average" Hungarian investor might prove to be.

This is why Mr Tompe cautions against drawing analogies between the Ibusz deal and privatisations in the west. Hungarian small investors will get preferential treatment

However, despite tax breaks for share purchase it is unclear how many Hungarians will be able to afford the 4,900 forints (\$75) for each of the 440,000

in what ibusz calls "the proba-

bly difficult allotment proce-

one libusz official observed that, while Hungarians were well used to investing in bonds paying a regular rate of interest, the idea of paying 4,900

forints for a share with a nomi-nal value of 1,000 forints might prove "a little bit shocking."

Ibusz is hoping for a broad spread of international investors, who will in any case be allocated at least 240,000 shares - more than half the public issue - for tax reasons.

Because of the size of the deal, Mr Tompe sees investment by western institutions principally as a vote of confi-dence in the Hungarian privati-

But officials do not want the issue dominated by one or two powerful institutional investurs, and are looking for strong retail interest in Austria, Ger-many and Switzerland.

The shares will be offered from June 11 to 15 in a transaction co-ordinated by Girozen-trale Vienna, and outside Hungary will trade as bearer certificates denominated in Austrian schillings and traded on the Vienna Stock Exchange. Listing is planned for June 21 in Vienna and Budapest, where the official stock

exchange opens the same day.

The flotation will put 40 per cent of Ibusz into the hands of private investors, but Mr Tompe said he would like to see the company fully priva-tised within a year or so.

#### Morgan **Stanley splits** banking arm

By Janet Bush in New York MORGAN Stanley, the Wall

Street securities company, is splitting its investment banking division in two, separating client-based business from its highly incretive merchant banking

The investment banking division will conduct Morgan Stanley's corporate finance, mergers and acquisitions, capital markets and real estate

This division will be led by Mr Joseph Fogg, a managing director currently in charge of corporate finance.

The merchant banking division will include Morgan Stanley's leveraged principle investing, in which it commits its own capital to buying equity stakes in corporations, venture capital and high-yield financing activities.

financing activities.

This division will be run by
Mr Donald Brennan, currently
in charge of the firm's 40-strong merchant banking

Morgan Stanley said that the decision to separate these two clusters of business reflected the success of Morgan Stanley's programme of direct equity invest-

Over the past few years, the company has invested in 40 companies with combined assets of \$25bm.
Last year, restructuring of several of lits principal investments yielded a pre-tax gain of \$246.5m. Net income for the whole company in 1989

The company also acknowledged that putting some distance between Morgan Stanley's client-based investment banking business and its principal investing helped to allay any fears of a conflict of interest between its own investment priorities and

those of its clients Mr Fogg and Mr Brennan Mr Fogg and Mr Brennan will report directly to Mr Parker Gilbert until he retires by the end of this year, Mr Richard Fisher, currently president who will take over as chairman, and Mr Robert Greenhill, the current vice chairman who will take over as president.

# Japanese warrants set to revive

THE market in Europe for Japanese equity warrant issues may be about to re-open since its forced closure in mid-

Leading securities houses are thought to be lining up an appropriate borrower and is size to tap the market in early

INTERNATIONAL BONDS

The news comes as welcome relief to the Eurobond market, where the lack of equity war-rant business due to the severe stock-market fall in Tokyo has significantly squeezed profitability.

Syndicate managers said yes-terday that the underlying demand for warrant issues would sustain new issue vol-ume, and that warrant prices strongly from the low levels they reached in March and

There is, however, a psychological hurdle that must be passed before deals can be launched.

On Thursday, the June futures contract on the Nikkei Stock Index expires. If the rollover period goes well, indicat-ing underlying confidence in the market, then the warrant new issue market will be likely to re-open quickly.

The first deal could be

launched immediately after the compulsory 20-day filing period, indicating late June or early July as the likely timing. Japanese financial authorities want to ensure that the return of business is conducted successfully, railing out a rush of new deals.

There is considerable specu-lation in the market as to pos-

have recently recovered sible issuers and the appropriate coupon level.
A medium-sized deal of

around \$250m by a well-known issuer avoiding the troubled real estate and financial sec-tors is the current choice of In the profitable heyday of the equity warrant market last

year, when \$63bn of deals was launched, coupon levels were regularly cut below 1 per cent. The talk now is of an attractive initial coupon, perhaps as high as 5 per cent or 6 per cent, which can then be cut back if there is strong demand. Elsewhere. European

operations were closed yester-day for an official holiday, so there was minimal activity on the Eurobond market. Traders reported marginal secondary activity and there

were no new issues The market for variable-rate notes was re-opened on Friday

after a gap since late last year.
Two deels for Finnish banks
were launched by Margin Lynch International which said it expects there to be several more such issues in the nex

Boots and

few weeks. few weeks.

Banks use the structure to raise subordinated capital. The raise subordinated capital was a \$200m 10 year deal for Union Bank of Finland was launched with an initial margin of 15 basis points over Libor. Fees were not disclosed. Skopbank brought a \$1000 issue with a 50-year mainitive extendable to a perpetual of the borrower's option.

The par-priced notes, which pay a margin of a over Libis had a good reception and the deal was increased yesterday to \$150m.

The new B \$50m tranche to identical to the original isone except for the payment date which is August 8 as opposed

OM wins

### Sallie Mae plugs into Europe

By Janet Bush in New York

THE Student Loan Marketing Association, popularly known as Sallie Mae, plans to make its monthly offering of six-month short term floating-rate notes available simultaneously in the US domestic market and in the

The notes will be tradeable as home market instruments in either of these markets with transactions cleared and settled through Euroclear and

Sallie Mae is a listed com-pany, chartered by Congress to provide liquidity to institutions extending credit to students

HILLSDOWN Holdings, the UK

food company, is seeking shareholder approval for an

issue of perpetual preference shares in the Canadian market.

The deal follows similar issues in the US market, but is

thought to be one of the first for a UK company in Canada. Hillsdown intends to raise an

It packages student loans into tradeable securities and also pioneered interest rate swaps in which fixed-rate securitles are converted, for example, into floating-rate notes.

The notes will be offered in the Eurodollar market through a selling group managed by Sallie Mae, comprised of Bar-clays de Zoete Wedd Securities, Credit Suisse First Boston Goldinan Sachs, Merrill Lynch Gövernment Securities, J.P. Morgan Securities and Morgan Stanley.

tions of \$1,000 and in \$1,000 increments above that amount Sallie Mae said that it planned to price around \$550m to \$650m of these notes, due December 13, on Monday, June 11. When-issued trading is expected to begin at 8.20 am New York time on June 12 with settlement on June 14. The notes will be priced at a spread to the bond equivalent yield of the 91-day US Treasury hill and the interest rate will be reset on the day following each weekly Treasury bill auc

approved, would base nearly 30

per cent of the group's turn-over in Canada. The share

issue would help reduce its

exposure to foreign exchange

The preference shares pay interest in Canadian dollars at a rate fixed for the first five

years and thereafter negotiated with shareholders. The shares

carry no voting rights and will be redeemable only at the com-

pany's option.

They will be issued through the US Federal Reserve Book

UK food group in C\$130m issue

Canadian institutions. The pro-

gramme can eventually be increased up to C\$275m.

Preference shares have been an attractive way of raising

competitively-priced share cap-ital to strengthen company bal-

ance sheets and several UK

companies have participated in a thriving US market.

Hillsdown recently proposed a merger between one of its subsidiaries and a Canadian

company which, if separately

200 15 30 35 5 7 10 300 7 17 25 15 18 19 460 73 37 55 9 16 19 500 7 17 34 35 37 38 120 11 16 22 44 7 16 130 54 11 - 12 15 -

deal in Austria Entry System in denomina-By Deborah Hargreaves OM, the expanding Swedish options exchange, has wentle mandate to develop a future and options market for Ans-tria which is due to start trid.

ing in mid-1991.
Sweden's OM will develop a screen-based trading system for a group of Austrian banks which have set up the Austrian Futures and Options Exchange (OTOB). As well as providing the Schisen exchange on a turnkey bails OM will deliver a marketing um will deliver a marketing and training package, and basic rules and regulation.

The Swedish exchange will not hold a stake in the new market — in contrast with he other international market — in consumer other international ventures other international ventures - but will provide consulting training and development ar-vices for several years after the Austrian system gets of the ground. Olf has estab-lished six offshoots oversees where it co-operates with local

International Finance Copy is offering Y15bn of six-year 8 per cent dual-currency samu-ral bonds at 100.50, according to lead manager Nomura Seca-

# initial C3130m to C3150m via Merrill Lynch, which is advis-ing on the issue. The investor market is limited to a few

#### FT-ACTUARIES SHARE INDICES • The Financial Times Ltd 1990. Compiled by the Financial Times Ltd.

in conjunction with the institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS		Men	day Je	me 4 J	990		Fri Jeen 1	The May 31	Wed May 30	Year ago (approx)
Fk	& SUB-SECTIONS  Fures In parentheses show number of stocks per section	index Mo.	Dey's Change	Est. Earnings Yield% (Max.)	Cross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	nd adj. 1990 to date	Index No.	lader No.	index No.	Index No.
1	CAPITAL GOODS (199)	900,28	+0.3	12,91	5.04	9.38	16.08	897.27	888.92	891.84	947.72
2	Building Materials (27)	1130.13	+0.1	14.00	5.26	8.83	21.22	1128.52			1182,33
	Contracting, Construction (36)	1398.94	+1.1	17,14	5.87	7.59	33.82	1384.07	1370.86		1657.09
4	Electricals (10)	2578.31 1873.75	+0.6	11.03	5.20 3.96	11.15 13.34	61.43 19.83	2561.95 1869.50			2772_57 2290.B2
5	Electronics (29)	494.90	+1.0	9.70 13.12	3.70 4.70	9.09	9.31	490.21	485.92	481.22	0.00
		494.03	+0.6	114	5.23	10.38	8.40	491.09	489.66	487.09	0.00
	Engineering-General (43) ,	487.15	-0.5	24.27	5.40 6.40	4.66	2.31	489.68	484.82	494.17	541.47
8		360.53	7.5	15.29	6.26	7.63	9.64	360.48	101.02 358.25	358.02	319.98
	Motors (16) Other industrial Materials (24)	1654.75	+0.2	10.75	4.82	10.74	33.09	2650.99	1630.30	1634.81	1537.38
	CONSUMER CROUP (174)	1308.01	10.5	9.24	3.82	13.39	17.96	1303.50	1288.41	1299.10	
21 22	Brewers and Distillers (21)	15%.05	-0.1	9.60	3.63	12.60	20.38	1598.09	1540.11		1296.74
25	Food Magufacturine (20)	1097.82	+0.2	10.26	4.33	12.04	17.73	1096.14	1089.07	1087.96	
22	Food Retailing (16)	2496.72	-13	9.12	3.24	14.08	33.61	2528.64	2513.28	2521.73	2228.82
	Health and Household (15)	2577.93	+0.2	6.68	2.68	17.82	24.15	2571.73	2556.09	2575.33	
	Leisure G1)	1476.00	+0.7	9.84	419	12.37	23.99	1465.62		1446.56	
31		611.17	+2.4	11.33	5.77	11.26	11.83	596.81	591.34	590.36	565.43
32	Publishing & Printing (16)	3524.00	+1.9	9.51	5.09	13.26	50.81	3459.64	3448.22		3478.70
34			+1.3	10,74	4.45	12.01	12.47	821.82	809.62	814.00	784.67
	Textiles (12)		+2.2	12.29	6.95	10.42	16.06	503.16	495.09	495.41	525.40
		1190.59	+0.5	20,97	4,94	10.95	11.38	1185.15		1176.70	3080.47
41	Agencies (1.7)	1664.43	+0,2	6.06	2.37	19.96	14.99	1661.61			1384.69
42	Chemicals (23)	1292 15	+0,4	11,00	5.22	10.63	31.08	1287,25	1276.52		1260.06
43		1485.33	+0.5	10.00	5.87	12.01	14.41	1677.14	1669.75	3670.65	1561.75
44	Transport (13)	2276.89	+0.3	10,99	4,40	11.49	37.81	2269.06			2455.03
46	Telephone Networks(2)	1218.72	+1.2	10.70	4.52	22.16	0.00	1204.55	2292,46	2284,69	1022.08
47		1935.73	-0.6	18.00	7.90	6.15	0.00	1946.87	1935.23	1948.44	0.00
48	Misceltaneous (26)	11805 63	+0.1	12,22	5,00	9,34		1804.41	2790.06	1791.82	
49	INDUSTRIAL GROUP (482)	h 182 98	+0 4	10.68	4.47	11.40	15.89	1178.53	1167.21	1168.38	1119.49
	Oli & Cas (18)	2345.02	-04	11.61	5.30	11.99	46.43	2355.46	2337.57	2331.05	1999.39
	500 SHARE INDEX (500)	1290.40	+0.3	10.73	4.58	11.48		1277.03		1265.73	
37	FINANCIAL GROUP (108)	822 07	+0.5	20,73				815.35	805.52	803.95	722.22
		862.29	+0.6	38.60	5.61 6.09	7.04	19.06 25.62	874.95	862 39	957.03	712.52
62	Banks (9)	1411 52	+1.3	10.00	5.20		36.02	1393.67	1381.34	1390.11	1050.69
95	Insurance (Composite) (6)		+0.2	1 - 1	5.96		19.43	692.13	680.73	68411	567.41
67		1080.27	-15	3.01	6.03	16.45	27.41	1097.09	1088.05	1092.17	980.15
	Merchant Banks (7)	442.21	+0.5		4.48	20.70	4.85	440.04	439.47	441.78	333.77
49		1131 33	+1.7	7.95	4.13	16.10	10.86	111267	1100.93	1200.69	
	Other Financial (25).	316 42	+0.5	14.09	7.20	9.30	5.04	314.91	313.75	311.11	361.12
		1221 11	+0.8		3.19		13 32	1212.12	2209.50	1206.36	
61		h413.40		8.64	6.47	14.16	43.49	1412.61	1405.21	1410.50	1307.89
ᅸ	ALL-SHARE DIDEX (680)	1169.47	+0.4				18.29	1165.28			1078.15
77	VIT-SINGE DIVEY (888)				4.70						
		ledez No.	Day's Change	Day's High (a)	Day's Low (b)	Jan.	May 31	May 30	May 29	数数	Year ago
_	FT-SE 100 SHARE INDEXS	2379.0	+7.6	2387.8	2376,4	2371.4	2345.1	2346.2	2295.6	2265.6	2008.5

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PRICE INDICES	Mos Jos 4	Day's change %	Fri Jun 1	xd adj. today	xd adj. 1990 to date	1 1	British Severament Low Syears	11.21 10.86	11.27 10.97	10.03 7.61
British Government Up to 5 years S-15 years Over 15 years Urredcemables All stocks	. 115.53 121.91 125.07	+0.39 +0.52 +1.26	121.43 124.43 141.56	- -	4.96 4.77 6.36	5 6 7 8 9	Medium 25 years	10.74 12.18 11.33 10.92 12.29 11.59 11.19 10.69	10.86 12.27 11.38 10.99 12.38 11.65 11.24 10.82	9.44 11.14 10.14 9.69 11.23 10.36 9.88 9.47
6 Up to 5 years 7 Over 5 years 8 All stocks	145.41 138.60 138.99	+0.10 +0.40 +0.38	145,26 138,04 138,47		1,49 1,38 1,38	12 13 14 15	index-Ushed Inflation rate 5% Inflation rate 5% Inflation rate 5% Inflation rate 10% Inflation rate 10% Debs & 5 years	5.15 4.14 4.12 3.96 14.35 13.12	5.18 4.17 4.14 3.99 14.34 13.13	4.04 3.84 3.30 3.67 11.80 11.55
9 Debutiers & Louis . 10 Preference	<del></del>	+0.19	98.05 73.29	$\vdash$	5.42 2.99	17	25 years	12.89	12.92	11.29

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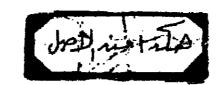
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IS AND WH Smith, the

ers, were last night in

negotiations over a

er of their out-of-town

yourself chains. Barring

minute disagreements, the ninute disagreements, the is expected to be inced today. Boots shares by 13p to 310p yesterday mith's by 5p to 352p. Let the deal, Boots' chain as and Smith's business. All would merge and aparent would have a 50 aut share in the combined ant share in the combined any, allowing both to the joint venture off their The par ce sheets. The merger lead to cost savings. since acquiring LCP
The centres in 1979. Do it All
Las 116 shops. In the last nancial year, to end May sales were £238m and lg profits £11.3m. Howinterim results showed a

to £5.1m.

to £5.1m.

to £5.1m.

ts entered the DIY markith its purchase of Ward last August for £900m.

selling some Ward White esses, for about £120m, was left with Payless, and AG

Coberable. n trading profits from

cquisitive Wm Cook jumps to £9.5m

mandate to the are Pearson tra where is to IAM COC Seeing Country group, achieved for a creen and are leap in profits during which trian on sales almost services and from £58.98m to **PE**LMENT. " " uding a two-month con-

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Mark Serve

uding a two-month con-tion from Lloyds (Burton), and caster, pre-tax profits beautiful caster, pre-tax profits to £9.1m, a £350,000 we meant over the forecast and the time three-for-10 rights issue uary.

£11.36m (£5.85m). The company said that on a like-for-like basis the operating result was £7.5m while that for turnover was

Since the year-end, the Monopolies and Mergers Com-mission has mounted an investigation into three of the com-pany's 1989 acquisitions: Lake & Elliot, whose Essex plant has since been closed, Lloyds (Bur-ton), and Armadale, a Scottish foundry bought in March and now closed.

Mr Andrew Cook, chairman, said yesterday he was confident of a "satisfactory" out-

WATER INDUSTRY

The Financial Times proposes to publish this survey on:

11th July 1990

For a full editorial-synopsis and advertisement details, please contact -

Bill Castle

on 071 873 3760

Number One

Southwark Bridge

London

SE1 9HL **FINANCIAL TIMES** 

Sir James Blyth (left) chief executive of Boots and Malcolm

for Ward White.
Yesterday's share price rise.
was partly prompted by hopes
of better news on Manoplax, a
heart drug which Boots'
pharmaceutical division has
been developing which had Stanley, a high street DIY chain. Separate trading results for Payless, which has 105 stores, are not available. Boots is releasing full year profit figures on Thursday and might have expected critical been held up by poor test

admission of failure, was at least an admission by both sides that they had problems in DIY. Boots had already made management changes a The DIY market has become increasingly competitive as a number of large groups have expanded rapidly. Although for

Analysts suggested yester-day that the DIY deal, if not an

some years this was a fast growing sector of retailing, the drop in housing activity has hit sales over the last year or so and some DIY groups have seen their profits under pres-Analysts have said for some

time that there were too many players in the market and that players in the market and that rationalisation was needed. Payless and Do It All hold third and fourth place in the DIY market, each with a market share of about 3.9 per cant of the total market, according to estimates from Verdict Research, the retail research proun.

combining the two would put the merged chain in second place after B&Q, which is owned by Kingfisher, the retailer which also owns Wool-

said that in the cases of Lake & Elliot and Armadale there was now little that Cook could divest "except to the scrap man". In the case of Lloyds (Burton), it should be remem-

**UK COMPANY NEWS** 

bered that there was an absence of potential buyers for such businesses.

He added that since he took control of Cook in 1981 the company had "saved" a net seven foundry businesses, clos-

ing only two.

"We feel that we have a strong case to put before the MMC," he said. The company

is to present its case on Friday. On the results, Mr Cook said he foresaw "significant potential for improving profitability" at the company after a period of rapid acquisitional growth. His target was to improve return on sales from 10 to 15 per cent. He did not envisage making any other big acquisitions in the near

Earnings per share stood at 45.18p (36.34p). The proposed final dividend is lifted to 8p (6.25p), making 12.5p (9p) for

#### SOUTHAMPTON

The Financial Times proposes to publish this survey on:

26th July, 1990

For a full editorial synopsis and advertisement details, please contact either

Clive Booth om 071 873 4152

or Amanda Francis

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NatWest Syndications

# oots and WH Smith DIY merger Thorn EMI US sale to BEI | for \$22m

By Michael Skapinker

THORN EMI, the music, rental and technology group, said yesterday it had signed an agreement to sell four of the six divisions of Systron Don-ner, its California-based sub-sidiary, to BEI Electronics of San Fransisco for \$22m (£13.1m).

The four divisions - Inertial, Seaton-Wilson, Edeliff and Duncan Electronics - make sensors and other equipment with a variety of military and commercial applications.

Mr Colin Southgate, Thorn EMPs chairman, said the company had decided to retain the

remaining two divisions because of their affinity with the group's existing operations. Safety Systems, one of the divisions to be retained, specialises in systems to prevent fire and overheating in aircraft engines. Mr Southgate said it complemented the group's other security interests. Microwave Products, the second division, fits in with Thorn's radar systems activities, he

The two divisions accounted for \$39m of Systron Donner's total sales of \$87m in the year to March 1990 and for more than half of the subsidiary's

The sale of the Systron Don-ner divisions forms part of Mr Southgate's strategy of selling businesses which do not have the potential to be internationally competitive. The group has sold more than 60 busi-nesses since 1985. Last month it announced that it intended to sell its lighting interests to GTE of the US. Thorn EMI had intended to sell its UK defence activities but has not been able to find a buyer willing to pay the reported £300m it is

BAe takes 49% stake in Kelsey

British Aerospace has negotiated a 49 per cent interest in Kelsey Instruments, producer of computer-based destructive systems for static and fatigue test applications in

### Suter p.l.c.

has acquired

### Chemoxy International plc

Henry Ansbacher & Co. Limited acted as financial adviser to Suter p.l.c. in this transaction



HENRY ANSBACHER & Co. LIMITED

April 1990

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### **GENEVA**

1989 DIVIDEND

Following the decision taken by the Shareholders' General Meeting held on June 1, 1990, the dividend for the 1989 fiscal year is payable, free of charge, as of June 5, 1990 by BANQUE PARIBAS (SUISSE) S.A., UNION DE BANQUES SUISSES and CRÉDIT SUISSE, as follows:

Per bearer share issued prior to January 1, 1989, of SF 1,000 nominal value, against remittance of coupon No 13:

Gross amount: (-35% Federal withholding tax)

Value number: 217375

Per bearer share issued on June 1989, of SF 1,000 nominal value, against remittance of coupon No 13:

(-35% Federal withholding tax) Value number: 217 379



Financière Saint Dominique

We have achieved a rate of return in excess of 60% p.a. on our equity investments during 1989\*. You are invited to take advantage of this.



FINANCIÈRE SAINT DOMINIQUE COVERS A BROAD RANGE OF EQUITY FINANCE ACTIVITIES VIA TWO COMPLIMENTARY APPROACHES: ADVICE AND INVESTMENT, EUROPE IS THE PRIME TARGET, FURTHERMORE, FOR TIONS, VENTURE CAPITAL, STRATEGIC INVESTMENT STAKES, BUY OUTS OR CROSS BORDER EQUITY FINANCE THERE IS A SPECIALIST AND DEDI CATED PROFESSIONAL TEAM, AS A SUBSIDIARY OF CREDIT NATIONAL, FINANCIÈRE SAINT DOMINIQUE IS BACKED BY SUBSTANTIAL FINANCIAL ESOURCES, MAKING US A LEADER IN THE EQUITY AND EQUITY-RELAT-ED MARKETS OUR GROWTH AND SUSTAINED DYNAMISM ARE DEPENDENT ON THE FINANCIAL PERFORMANCE OF THE COMPANIES WE DEAL WITH

Very soon Financière Saint Dominique increases its share capital: will it be with you or without you?

AR

### Cut in contribution to profit sharing boosts pre-tax results by 12% NFC operating profits fall 3.5%

NFC, formerly the National Freight Consortium, yesterday announced a 12 per cent rise in pre-tax profits for the half year to March 24. However, operating profits were down 3.5 per cent in what the company described as a generally difficult UK environment. The shares fell sharply on the news

by 9p to 127p, The company, which uniquely among British compa-nies publishes on each reporting date a "best view" of what it thinks its next full year result will be, downgraded its "best view" for the full year by £8m to £97m (£90.2m) on a possible turnover of £1.65bn

The increase in half-year profits from £32.6m to £36.4m was mostly achieved by reducing the contribution to the employee profit sharing scheme from £5.7m to £1.9m. Operating profits fell from

E43m to £41.5m.

NFC warned that results from the property division in the second half of the year were likely to off-set any advantages accrued through improved efficiency. The full effects of property slump had not yet worked through, the company said.

Mr James Watson, who is

THE FIRST full-year results

from Reedpack, the paper, packaging and office supplies

group, since its £608.6m management buy-out from Reed

International in July 1988,

showed that the group was still

meeting its bankers' targets

despite higher interest rates

and worse trading conditions.

Operating profits were 12.9 per ceut higher at £90.1m

(£79.4m on a pro-forma basis) in the year to April 1. These profits covered the interest payments of £54.7m by 1.6

times, slightly better than the

ratio required by the agreements with banks.

been adjusted for the next

three years reflecting the rise in interest rates. Reedpack has

not had to make concessions

on terms or repayment time-

tables as a result. Although the

group plans to float on the

However, the ratios have

By Maggie Urry



James Watson (left) and Jack Mather: A degree of robustness given a UK trading background that is not really helpful

Reedpack results meet bankers' targets

ROBERT FLEMING & CO. LIMITED

JARDINE FLEMING SECURITIES LIMITED

advised

JAPAN AIRLINES CO., LTD.

NISSHO IWAI CORPORATION

in their agreement to purchase an interest

**DHL International Limited** 

Middlestown N.V.

INTERNATIONAL INVESTMENT BANKING LONDON · HONG KONG · TOKYO SAN FRANCISCO · PARIS · FRANKFURT · BANGKOK · TAIPEI · MANILA · SEOUL · JAKARTA

buts at 10 min; 5 Co. Limited, a member of The Securities Association and The International Stock Exchange

due to take over from Sir Peter Thompson as chairman, stressed that the company would continue to invest over-seas to reduce its dependency on the UK economy. At present, 28 per cent of profits comes from non-UK operations, mostly in the US.

"The company is showing a degree of robustness given a UK trading background that is not really helpful," he said. On an increased turnover of £728.8m (£647.5m) operating margins slipped from 6.6 to 5.7

stock market, bankers are not

exerting pressure for an early

Mr Peter Williams, chief executive, said the group had

withstood difficult trading con-

ditions better than expected

and he was confident of a fur-

ther rise in profits in the cur-rent financial year.

He said the group now made nearly a quarter of its profits

overseas, mainly in Europe. This is a rise from 19 per cent

the year before. This was partly through the faster

growth of the European busi-nesses compared with those in

the UK, and also because four acquisitions had been made in

Europe costing £19m in total. A

further rise in the non-UK pro-portion of profits was planned.

The group's net borrowings stood at £467m at the year-end

despite the acquisitions and a

£15m loss on translating over-

per cent. Earnings per share increased 9 per cent from 4.5p to 4.5p.
Directors declared a third interim dividend of 1.1p per share, making a total of 2.9p (2.45p) per share for the year so

special first interim dividend removals.
and the moves being taken to The tra reduce disparity in the level of ued to make a loss in a difficult the four quarterly payments. environment. It made a loss of

division, the company's larg-

seas debts into sterling. Taking

level was comfortably

these into account, the group's

below bankers' targets.
Group sales were ahead by
8.3 per cent to £842m and oper-

ating margins rose from 10.3 to

Paper was the largest con-

tributor to trading profits, making £35.5m, a rise of more than 17 per cent on sales up 11

per cent at £236.6m. Although trading conditions in the UK were dull, the group's use of waste paper as its main raw

material meant all its UK mills were profitable. In Europe, the

Dutch mill "achieved excep-tionally strong results", the

group said.

Packaging trading profits
rose by 7 per cent to £30.6m, on
sales 10 per cent higher at
£456.6m. Flat volume in the UK

was offset by strong demand in Europe. Start-up costs on capi-

est, had suffered from the effects of the poor general eco-nomic climate in the UK and the government's policy of high interest rates. Turnover at the division increased 14 per cent, but operating profits were down 27 per cent at £12.4m (£17m).

These factors, said Mr Mather, had meant that the volume of goods had fallen as companies reduced stocks. The resulting over-capacity in some sectors had meant that it proved difficult to make price increases stick. Customers were also passing on their financial problems to their dis-tributors, he said.

The logistics and home services divisions had performed well, he said. The increase in profits at the home services division, which includes Pickfords, the removals company, was remarkable given a 40 per cent decline in the number of house purchases in the last year, he added. The division had diversified into overseas The increase reflected the and into office and company

The travel division continthe four quarterly payments.

Mr Jack Mather, chief executive, said that the transport a turnover of £34.6m (£31.2m).

tal projects hit margins but benefits should come in the

current year, Mr Williams said.

Trading profits from office supplies rose 15 per cent to £23.9m on sales 16 per cent higher at £258m. The second

half saw a slowdown in growth in the office products markets

and there was aggressive price

cutting, the group said. How-ever, two new distribution cen-

tres were opened during the year and the operation is

expanding in Europe.
The group's property was

revalued to show a surplus of £157m, a rise of 140 per cent on

book values, Reedpack said. Planning consent had been given for developing surplus land in Kent. Mr Williams said

the group's surplus property would provide a steady stream

of income in future years and

the group was not under pres-sure to sell spare land now.

#### Marley US expansion with £27m purchase

By Vanessa Houlder

MARLEY, the diversified building materials and automotive components group, has made its first move into the US plastic building materials mar-

It has agreed to buy the business and net assets of the plastics and wood mouldings division of Di Giorgio Corporation for \$45.75m (£27m) in cash. The business, known as D G Mouldings, is the largest US manufacturer of pre-finished plastic and wood mouldings used in the refurbishment of residential and commercial buildings and the manufactured housing sector. In both sectors, it claims a market share of more than 40 per

Marley said that it saw scope for moving the business further into the renovation and industrial markets, which

would reduce its exposure to the US housing market. It also aimed to exchange technical know-how between D G Mouldings and its other plastic building material busi-nesses round the world. The husiness will be renamed Marley Mouldings and its senior management team will con-tinue the business under its

existing US management.

The business is based in Virginia, in the South East of the US, which is the heartland of General Shale, Marley's US brick operation, which it bought in 1986. Marley Mouldings has three manufacturing plants and a distribution facility in Marion, Virginia and further distribution warehouses in Texas and Oregon. Mouldings for the residen-tial renovation and remodeli-

ing sector account for almost half total sales. Mouldings for industrial use and products for the manufactured housing sector both account for a quarter

In 1989, D G Mouldings made operating profit of \$6.7m on turnover of \$66.8m. Net tangible assets are expected to

Marley's shares were unchanged at 130p.

#### Receivers called in at Polysource By Vanessa Houlder

Receivers were yesterday called into Polysource Indus-tries (UK), a plastic mouldings business based in South Wales. The shares of its parent company, Polysource Holdings, which is traded on the Third Market, were suspended at 5p as the company and its broker, TC Coombs, tried to trible a received deal

strike a rescue deal. Mr Arthur Dalton of TC Coombs said it was "possible but not probable" that it ness or its Third Market quo-tation.
Polysource Industries,

which employs 45 people in its factory near Swansea, did not achieve the sales forecast when the company joined the Third Market via an introduction at the end of last year. The broker attributed this to its dependence on the car industry and microwave oven business which have subse-

quently seen downturns.

The company is also listed on the Alberta Stock Exchange

#### **BOARD MEETINGS**

Control Techniques	June 11 June 18 June 13 June 8
BET Bristol Evening Post Bucknell Austra Cater Alten	June 16 June 27 June 14
Cartury Oils Claybine Elgs Evropeen Colour GEI International	June 7 June 12 June 11 June 13 June 19
Halms	June 26 June 13 June 14 June 13
Rothechid (J) Sorpic Southwest Water Staveley Industria	June 14 June 15 June 7 June 14 June 5

ABBEY NATIONAL TREASURY SERVICES USDOL 22,000,000

## Caution sounded as Vibroplant profits advance 27% to £14m

By Vanessa Houlder

VIBROPLANT, the plant hire group, yesterday announced a 27 per cent rise in pre-tax profits from 211.07m to 214.01m for the year to March 31. Turnover rose by 30 per cent from £54.18m to £70.25m.

However Mr Jeremy Pilkington, chairman and managing director, sounded a note of caution about the year ahead, although he added that the company's current year had started well with trading at or above last year's levels in most

He said that forecasts of construction activity predicted a significant reduction in workload this year, not only for housebuilding, but also in the commercial and industrial sectors which so far have been largely unaffected by last year's rises in interest rates. The past year saw some weakening in demand in the second half although the

anead.

As a nationwide operator,
Vibroplant was able to redeploy plant from the areas that
had the biggest downturn in

south-east was the only market where revenues failed to move

The group made its first UK acquisitions — Bath Plant Holdings and the Britspace can hire fleet — during the year. Bath Plant is not expected to make any account this ted to make any profit this year, but it is seen as an eco-nomic way of establishing a presence in the south-west of England.

In the US, where the company specialises in aerial access equipment rental, it expanded from 12 to 26 locaexpanded from 12 to 25 locations and made three acquisitions during the year and one in April, Vibroplant said that the markets in which it operated were generally buoyant and further advances were expected in revenues and prof-

Mr Pilkington said that major acquisitions were unlikely this year, as the company integrated and improved the margins of last year's additions.

Operating profits in the UK increased from £10.44m to fil.82m on turnover up from £33.05m to £39.86m. In the US operating profits advanced from £3.42m to £5m on turnover up from £21.13m to

£30.38m. Earnings per share increased by 18 per cent from 17.32p to 20.4p. A final proposed, making a (1.98p) was proposed, making a total of 3.6p (3p).

#### @ COMMENT

Uo like a rocket, down like a stick: over the past two years, Vibroplant's share price nearly doubled, then halved. Such vol-atility - which is at odds with the unglamorous but soundly managed nature of the company - is a striking measure of the change of heart towards the small company and con-struction sectors. While the popularity of both remains in the doldrums, Vibroplant's share price is unlikely to claw back much of its losses. Nonetheless, assuming pre-tax profits of £15m this year, the shares, up 5p to 144p, look inexpensive on a p/e of 6.5.
Vibroplant has several advantages over others in its sector
its northern bias, its modern fleet, its broad customer base and its resilient US earnings -so it should ride out a difficult

### Warburg director's £639,000

THE highest-paid director of S.G. Warburg, one of the City's leading investment banks, earned £639,000 in the year to March 31, which included £256,000 of long-term perfor-

mance-related pay.

The bank's pre-tax profits

rose by 68 per cent to £187.5m in the same period.

The chairman, Sir David Scholey, was the highest paid director in the same period last year at £559,000, but this year his overall salary dipped to £531,000. This was because he

did not receive any long-term performance-related pay this year, as against \$251,000 last

However, Sir David earned £346,000 in annual performance-related pay, compared to £125,000 last year.

### PML holder backs £2m rescue finance package

By Clare Pearson

MR JOSEPH LEWIS, an offshore-based 25.5 per cent shareholder in PML Group, is backing a £2m package of rescue finance for the company, which makes, imports and

retails clothing.
The USM-quoted company said yesterday it would be unable to carry on business in its current form unless the rights issue, conditionally underwritten by a vehicle con-trolled by Mr Lewis, is imple-

mented.

The issue is of unlisted loan The issue is of unisted loan stock convertible into PML ordinary shares at 10p, compared with last night's unchanged close of 8½p.

PML's indebtedness stood at 24.3m on May 4. Management accounts showed a trading loss of about £500,000 for the four part of the

months to April 30, compared with a profit of £161,000 for the comparable period. Halden BV, a subsidiary of

Services, is the conditional underwriter of the rights issue. Mr Lewis has been a share bolder in PML since July 1987 when he sold his specialist clothing shops, aimed at Far Eastern tourists in Europe, to the company.

PML says it has been hit by high interest rates and its

Mr Lewis' Davenport Financial

clothing manufacturing activities affected by the fall in UK consumer spending. It has also been an indirect victim of the downturn in the Japanese stock market and an adverse sterling-yen exchange rate. PML, which issued a profits warning at the end of April.

also yesterday finally announced results for the year to end-December last year. These showed pre-tax profits of £822,265 (£1.5m) on sales of £35.6m (£27.42m). Earnings per share fell to 1.2p (2.2p). There is no dividend for the year.

#### FIH sells **Berisfords** ribbons side

to consortium Ferguson Industrial Holdings is selling the Berlsfords ribbons business to a consu-tium called Startbright, which includes two Berlsfords direc-

tors.
Total consideration is covered by £1 for the share capital of Berisfords and Clare Textile Holdings and the repayment of £4m of interest free intra-group

The labels division is being retained by Ferguson which is also assuming the £230,600 overdraft of the ribbons business. The sale will be used to cut borrowings and an extrao dinary charge of £1.25m will be made in the accounts for the year to February

MCIFIC MORE

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Berisfords reported profits of 2708,000 in the year to Febru-ary 28 1989 but this was not maintained in the following

#### **Optometrics Corp profits marginally higher**

Optometrics Corporation, the USM traded optical systems in profits was achieved despite sidiary absorbed some \$35,000 in relocation expenses. specialist saw pre-tax profits rise to \$330,000 (£197,000) from \$325,000, after a strong second half resulted in sales of \$3.36m, compared with \$3.27m, for the year ended March

Mr Frank Denton, chairman, said the marginal improvement comprehensive product catalogue. In addition, the US sub-Mr Frank Denton, chairman

incurred.

These costs were associated

\$70,000 of the cost of producing and distributing its first major

Mr Denton concluded all the indications were that the new financial year would begin with a very strong first quar-

Tax took \$120,000 (\$92,000) leaving earnings per common share of \$0.021 (\$0.023). There is

# Leigh's pre-tax profit up by 39%

Results in brief	Year ended 31st March 1990	Year ended 31st March 1989
Tumover	£000's 69,024	8'0003
Profit before interest Interest	10,115 (1,761)	51,601 6,513
Profit before tax Taxation	8,354 (2,924)	(482) 6,031 (2,111)
Profit after tax	5,430	3.920
Transfer to reserves Dividend on Ordinary Shares per share:	2,223	1,971
Interim	2.22p	2.02p
Final recommended Eamings per share	4.88p	4.20p
Average number of shares in	16.9p	13.8p
issue	31.25m	25.97m

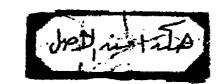


Leigh Interests pic · Lindon Road · Brownhille iali - West Midlands WS8 788.

Let Leigh share your 'duty of care'

(The figures for the year are abridged from the Group's full accounts for that period which have received an unqualified Auditors' Report and will be filed with the Registrar of Companies following the Annual





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COMMENT ime retail property, has at the trend in the strait property sector by asing pre-tax profit to in the six months to in the six months to

> taxable figure was 8.4 mt ahead of the previous 1's £2.86m. This was on ver down by £1.1m to

group builds or refur-retail shopping sites for or retention as invest-Among the towns in h it has interests are rd, Stratford-upon-Avon, ester and Newton Abbot. Derek Coombs, chair-said the group identified sing towns for develop-by finding out where the tg retailers wanted to be. nand from retailers ned firm in prime posi-The group had virtually liet shops in completed pments, "so the experi-of speculative central a offices in terms of lets onte mirrored in Har-ir's sector," he said. It reviews in the first of the year had increased

nand for investment rty had slackened a little institutions, but the had countered this by g at more advantageous

ring remained at about er cent, similar to the

Berisford of increasing pre-tax dividends and net his statement in the O Comsort report published in

nings per share ced to 27:07p (24.95p). sterim dividend is being t 8.25p.

a higher

#### **UK COMPANY NEWS**

# ibropardanger | Fairy-tale; horror story; thriller Can Saatchi be salvaged in time? Alice Rawsthorn reports

O FAR Mr Robert Louis-Dreyfus' career as chief executive of Saatchi & Saatchi, the troubled communications company, has read like

a corporate horror story.

In the six months since he slipped into the chief executive's seat, Saatchi has been beset by everything from a boardroom putsch to a liquidity crisis. It has been haunted by bid speculation and its share price has collapsed. Mr Louis-Drayfus, like the rest of the board, has had to take a cut in

At one o'clock this afternoon the latest chapter in the horror story will unfold when Saatchi's interim results are announced. The results are expected to be awful.

The consensus among analysts is that Saatchi, once one of the world's most successful communications companies, will amounce a loss per share of 24p, on pre-tax profits down from £21m to £12m, for the first half of the year. It is not expected to declare a dividend, Luckily for Mr Louis-Dreyfus

the stock market has long since accepted a dreadful set of Saatchi interims as a *fait* accompli. It is much more interested in the future: in whether he is succeeding in getting to grips with Saatchi's long-term problems.

Mr Louis-Dreyfus says he and "no illustrate" that the

had "no illusions" about the extent of the group's problems when he joined in January. Saatchi was burdened by debt of more than £20tm - and was struggling to sell its man-agement consultancies. It was also suffering from a slump in its main advertising markets, the US, UK and Australia. In the longer term it faced the threat of redeeming a £211m convertible preference issue.

What he did not anticipate was the blaze of publicity that accompanies every twist and turn in Saatchl's affairs. The gossip columns have gushed over his dalliance with Ms Kim Basinger, the movie star. The financial pages have pored over Saatchi's corporate prob-lems. He admits to having found it "very difficult" to work in a company "where

Saatchi & Saatchi

Share price (pence)

Oct Nov Dec Jan Feb 1989 Mar Apr May Jun

every decision, however small, can be leaked to the press". In his first few months, Mr Louis-Dreyfus has concentrated on Saatchi's finances. On his first day he discovered that its credit lines had expired. The first task for him and Mr Charles Scott - a former colleague who joined Saat-chi with him as finance director - was to secure the

short-term support of the banks. Their second task was to complete the sales of the ment consultancies Mr Louis-Dreyfus says that those sales have been dogged by difficulties. He has agreed prices for the companies with their managers, but the negotiations have been bogged down by logistical problems and the difficulty of finding finance.

Yesterday he succeeded in selling Hay, the largest consultancy, but only after months of cumbersome negotiation. The sales of the others are proceeding sluggishly. In the mean-time Mr Louis-Dreyfus and Mr Scott are expending effort and energy on businesses they do

not want to keep. They have, however, made progress in the more mundane aspects of Saatchi's finances, such as cost control and tax management. Working capital has already improved by 13 per cent. Mr Louis-Dreyfus says that last year's "grotesque" tax rate of 52 per cent should come down to below 50 this year and In the meantime Saatchi is conserving cash: by freezing capital expenditure and omitting the dividend. As for the convertible issue, Mr Louis-Dreyfus says Saatchi may make provisions for its redemention this reser but he redemption this year, but he has not yet decided what action to take in the long term.

News of

Daunting though Saatchi's financial problems may be, Mr Louis-Dreyfus and Mr Scott have at least had carte blanche to tackle them. Saatchi did not have a finance director for nearly a year before Mr Scott's arrival. There were no vested interests to overthrow.

But Mr Louis-Dreyfus' chief challenge is to restructure Saatchi's communications companies. Here he may face oppo-sition from the existing man-agement and from Charles and Maurice, the Saatchi brothers.

When Mr Louis-Dreyfus was first appointed, there was con-siderable scepticism that the brothers would be able, or willing, to allow him to run the company.

He insists there have not been any problems, "I really enjoy working with the brothers," he says. Since his arrival Mr Maurice Sastchi has concentrated on new business while Mr Charles Saatchi has scrutinised the creative output of Saatchi's main London

Last month's dismissal of Mr Roy Warman and Mr Terry Bannister, two long-standing Seatchi directors, was seen as a test of Mr Louis-Dreyfus' authority. He needed to move them so he could take full con-trol of Saatchi's communica-

tions companies and he had his way. Neither of the brothers attended the board meeting which voted on the dismissals.

Mr Louis-Dreyfus can now start to restructure those companies. His overriding objective, as he wades through the quagmire of Saatchi's finances, is to cling on to SSAW and BSB, its international advertising agencies. The future role of the specialist marketing consultancies - such as Siegel & Gale in design and Howard Marlboro in sales promotion is less certain.

So far the agencies have emerged relatively unscathed from the group's problems. But BSB has lost several large accounts in New York. And a few weeks ago there was a breakaway from SSAW's London agency. A series of sub-stantial account losses and senior staff defections would be crippling. Mr Louis- Dreyfus is putting together an incentive scheme to try to motivate staff and is also finalising plans to reorganise Saatchi's specialist marketing compa-

es. The agencies also have cultural problems. The Saatchi brothers never really suc-ceeded in translating the dynamism of their original London agency to the rest of the SSAW network. BSB is still scarred by the account losses that followed Saatchi's bid for Ted Bates, the US agency, four

There are also gaps in both agencies. SSAW needs to expand in West Germany. BSB is weak in France. Both agencies are losing money in Japan. Almost all Saatchi's competi-tors are in a similar state, but Mr Louis-Dreyfus does not have enough money to fill the holes in his networks.

in England:

Moreover the agencies are operating in an increasingly competitive climate. The fore-casts for advertising revenue in the US and the UK are far lower than when Mr Louis-Dreyfus first arrived. He has to restore morale at a time when it will be very difficult for the agencies to win new business. Mr Louis-Dreyfus admits that the task of salvaging Saat-chi will be even tougher than

But he is showing some signs of confidence. He is allowed to exercise his share options this month and, yes, he will be buying.

### **NESTLÉ S.A., CHAM and VEVEY**

Payment of dividend

Notice is hereby given to shareholders and holders of participation certificates that following a resolution passed at the General Meeting of shareholders held on May 31, 1990 a dividend for the year 1989 will be paid to them as from June 5, 1990 as follows:

per participation

SFt. 40. -less Swiss federal withholding SFr. 70. — SFr. 14.— SFr. 130.-SFr. 26.-

This dividend is payable against delivery of coupon No. 9 for all bearer shares and participation certificates.

On the other hand, all dividends payable on registered share certificates without coupons will be paid by bank transfer to the shareholder's account or by way of an assignment in accordance with the instructions received from the shareholder.

The dividends are payable in Swiss Francs, free of charge for the beneficiary. Outside Switzerland Paying Agents will pay against coupons and assignments in local currency at the rate of exchange prevailing on the day of presentation; bank transfers will be effected value June 5, 1990 in local currency at the rate of exchange prevailing on that date.

Coupon No. 9 and assignment may be presented as from June 5, 1990 to the following Paying Agents of the Company:

in Switzerland: Credit Suisse, Zurich, and its branch offices. Swiss Bank Corporation, Basle, and its branch offices,

Union Bank of Switzerland, Zurich, and its branch offices, Swiss Volksbank, Bern, and its branch offices, Bank Leu Ltd., Zurich, and its branch offices,

Banque Cantonale Vaudoise, Lausanne, and its branch offices and Zurcher Kantonalbank, Zurich, and its branch offices

Berner Kentonalbank, Bern, and its branch offices, Zuger Kantonalbank, Zug, and its branch offices, Banque de l'Etat de Fribourg, Fribourg, and its agencies,

Darier & Cle, Geneva, Pictet & Cie, Geneva, Handelsbank NatWest, Zurich, and its branch office,

BSI, Banca della Svizzera Italiana, Lugano, and its branch offices, Credit Suisse, London,

Swiss Bank Corporation, London, Union Bank of Switzerland, London,

Morgan Guaranty Trust Company of New York, New York, Credit Suisse, New York, Swiss Bank Corporation, New York, States of America:

Union Bank of Switzerland, New York, Crédit Commercial de France, Paris, in France: Banque de Paris et des Pays-Bas, Paris,

In Germany: Dresdner Bank AG, Frankfurt/Main and Düsseldorf, in the Netherlands: Pierson, Heldring & Pierson, Amsterdam,

Girozentrale und Bank der österreichischen in Austria: Sparkassen AG, Vienna.

Nornura Securities Co. Ltd., Tokyo, Yamaichi Securities Co. Ltd., Tokyo, in Japan:

Banque Bruxelles Lambert, Brussels, in Belgium: Cham and Vevey, May 31, 1990

The Board of Directors

:se securities have all been sold. This announcement appears as a matter of record only and does not



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of 4,000,000 Shares of Common Stock of no par value at \$2.65 per new share payable in full on application

ific Agricultural Holdings, Inc., which was formed by the merger in May 1988 between AridTech, and Pacific Agricultural Services, Inc., is an integrated agribusiness, operating in the U.S.A.

and Development; the Company currently owns in excess of 20,000 acres, and has options over pproximately, a further 5,500 acres, of land which it holds for agricultural development. This land te larger part of which is in Cadiz, California, has the important characteristic of its own idiginous, water supplies; and

27m Management; the Company ranks amongst the ten largest managers of permanent crops in the S.A. These crops which include Jojobss, Pistachios and Table Grapes are grown on farms in - rizona and California.

intended that funds raised in the above Private Placement will be used in part to continue the ical integration of the Company into crop processing, packing and marketing.

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This Advertisement appears as a matter of record only



### **Norfolk House Group pic**

£75,000,000 **Revolving Credit Facility** 

to refinance existing facilities and to provide additional finance for the expansion of the group

Agent and Lead Bank

#### **Canadian Imperial Bank of Commerce**

Funds provided by

lanadian Imperial Bank of Commerce tandard Chartered Bank lational Westminster Bank PLC he Royal Bank of Scotland PLC en Danske Bank

The Chase Manhattan Bank N.A. Bank of Scotland Bardays Bank PLC Swiss Volksbank ASLK-CGER Barik (London Branch)

May 1990

### **Channel Express up 22%** and acquires Benair

CHANNEL EXPRESS Group, between the UK and Ireland, the USM-quoted flower distribution and freighter aircraft also provided opportunities in service concern, vesterday reported a 22 per cent rise in 1989-90 profits, and the \$1.275m acquisition of Benair Group, which is involved in airfreight

Benair, comprising Benair Freight and Benair Freight Pte., has been bought from Frederick Leyland & Company, a member of the Western United Group. Benair's seaf-reight division is not being

acquired.
Benair is based at Manchester International Airport, with a depot at Heathrow and other a depot at Heathrow and other premises in Southampton and at Glasgow, Dublin and East Midlands airports.

Mr Philip Meeson, chairman of Channel, said the acquisition represented an excellent opportunity for the company to

expand its activities into

freight forwarding.
While Benair complemented
Channel's freighter aircraft
operations with considerable
traffic to the Channel Islands and freight movements

the growth area of the Pacific rim, he added.
The consideration - payable

as £385,000 in cash and 1m Channel shares — included the purchase of an estimated £825,000 of net assets at completion. In 1989 Benair made a proforma pre-tax profit of £150,000 after charging non-re-curring costs of £100,000. Mr Meeson said Benair was

expected to make a useful con-tribution to the enlarged group's profit and to have a positive effect on earnings per share in the current year. Group pre-tax profits in the year ended March 31 1990

advanced to £1.38m (£1.18m) on turnover 35 per cent higher at £18.08m. Earnings per 10p share came to 8.2p (7.4p) and the recommended final dividend was 1.6p (1.3p) for a total of 2.6p (1.3p) for the year. The chairman added that trading in the current year had com-menced satisfactorily in both the group's main business

#### Quarto spends up to \$10m for publisher

Quarto Group, the USM-quoted book and magazine publisher, has purchased Rockport Pub-lishers, of Massachusetts, US, for a maximum \$10m (£5.98m).

Like Quarto, Rockport's acts as a packager which sells fin-ished books at a net price to third-party publishers under licence to distribute the books

in their home markets.

The initial consideration is \$3m cash, with further tranches up to \$7m being paid, depending on Rockport's performance between June 1 1990 and December 31 1994. In the year to December 31

1989, Rockport achieved pre-tax profits of \$311,000 on sales of \$3.47m. At that date, its net assets were \$401,000.

#### Betterware sharply up to £2.78m

Betterware Consumer Products, direct seller of domestic household ware, announced a sharp improve-ment in pre-tax profits for the year to February 28 with con-tinuing activities up from £1.8m to £2.78m, on turnover ahead from £11.23m to £19.19m.

The direct sales division, which includes Betterware, increased its profits by 50 per cent to £2.4m (£1.6m) on a terrover of £10.8m.

After tax of £941,000 (£28,000) earnings per 10p share rose from 12.88p to 18.34p and a final dividend of

5.15p makes 7.3p (5.55p).There is a share option. A one-for one scrip is also proposed.

#### ENGELS-HOLLANDSE BELEGGINGS TRUST N.V. (English and Dutch Investment Trust) Established in Amsterdam **PARTICIPATION CERTIFICATES**

(Issued by Royal Exchange Assurance) NOTICE IS HEREBY GIVEN that the announced dividend of the 'frust, which for technical reasons was at first intended as an interim-dividend, has to be considered as the total dividend for the year 1989.

ROYAL EXCHANGE ASSURANCE One Aldgate, London EC3N 1RE



DOLLAR Where Next? Call for our corrent views CAL Futures Ltd Windsor House 50 Victoria Street London SW1H 0NW Tel: 071-799 2233

#### Notice of Redemption RPM, INC.

#### 5%% Convertible Subordinated Debentures Due 2001

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement (the "Agreement") dated as of July 24, 1986 between RPM, Inc. (the "Company") and The Chase Manhattan Bank (National Association), as Fiscal and Paying Agent, there will be redeemed on July 8, 1990 (the "Redeemption Date"), all of the outstanding principal amount of 5% Convertible Subordinated Debentures Due 2001 (the "Debentures") at the redemption price of 103% of the principal amount thereof plus accrued interest to the Redemption Date (the "Redemption Price"). The Debentures will become due and payable on the Redemption Date and, upon presentation and surrender of the Debentures to a Paying and Conversion Agent (as identified below), the Redemption Price will be paid. Accrued interest will be paid to the Redemption Date. Interest on such Debentures shall cease to accrue on and after the Redemption Date.

CONVERSION INTO COMMON SHARES

As an alternative to redemption, holders of Debentures have the right to convert Debentures into fully paid and nonassessable Common Shares of the Company at a conversion price equal to \$17.25 per share, which is equivalent to 289.86 Common Shares per \$5,000 principal amount of Debentures. No fractional shares or securities representing fractional Common Shares will be issued upon conversion, but if a conversion results in a fraction of a share, the holder will be paid a cash amount equal to the same fraction of the Market Value (as defined in Section 5(h) of the Agreement) per share of the Common Shares as of the close of business on the business day next preceding the date on which the Debenture or Debentures and completed Conversion Notice (as attached to the Debentures) shall have been received by the Paying and Conversion Agent (as identified below). Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the Debenture or Debentures and completed Conversion Notice are received by the Paying and Conversion Agent (as identified below). Holders wishing to convert Debentures must satisfy the requirements as set forth on the reverse of the Debentures.

THE RIGHT TO CONVERT DEBENTURES WILL TERMINATE AT THE CLOSE OF BUSINESS ON JULY 3, 1990 The last price of the Company's Common Shares on May 30, 1990 as reported on the NASDAQ National Market System was \$22.00 per share. So long as the Market Price of such Common Shares exceeds \$18.74 per share, a holder who is deemed to have converted will receive Common Shares plus cash in lieu of any fractional shares having an aggregate Market Value greater than the amount of cash that would be received upon redemption.

ACCRUED INTEREST WILL NOT BE PAID ON ANY DEBENTURE WHICH HAS BEEN CALLED FOR REDEMPTION AND SURRENDERED FOR CONVERSION. AT THE CLOSE OF BUSINESS ON JULY 3, 1990 THE RIGHT TO CONVERT WILL TERMINATE.

CONVERT WILL TERMINATE.

CONVERSION OF DEBENTURES SHALL BE DEFINED EFFECTIVE ON THE DATE THAT THEY ARE PRESENTED IN FULLY TRANSFERABLE FORM WITH A COMPLETED CONVERSION NOTICE AT ANY OF THE BELOW-MENTIONED OFFICES OF THE RESPECTIVE PAYING AND CONVERSION AGENTS.

To convert Debentures or to collect the Redemption Price, holders of Debentures should surrender them, with all coupons appertaining thereto, along with a completed Conversion Notice, by mail or in person, to any of the following offices of the respective Paying and Conversion Agents:

The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street London EC2P 2HD, England Attn: Mr. Derek Harling The Chase Manhattan Bank

Dated: June 5, 1990

Banque Bruxelles Lambert 24 Avenue Marnix Brussels, Belgium Attn: New Issues Dept. Berliner Handels-und

ase Manhattan Benk (Su 63 Rue de Rhone 1204 Geneva, Switzerlar Atin: Mr. Paul Batteram

OFFER ON REGALF OF STATUSE EXLABILITY BOLDINGS FLC io acquire ordinary shares of 10p each of OFTEM GROUP PUBLIC LIMITED COMPAN and proposals to holders of 10% and 11% Convertible necured Loss Stock 1992/19

Scentifies Limited ("UBS P & D") amounces on behalf of Systems Reliability Holdings pic ("Systems Reliability") fisst, by means overst deed 5th June 1990 ("tim Office") coversors? despendent notes; (UBS P & D have made as office ("tim Office") on behalf of a capains confirmy abuses of 10p each of Optim Group Pablic Limited Company ("Optim Ordinny Sisses") and have made Securi or the 10% and 11% Commentals Unaccount Low Stock 1992-1996 of Optim Group Pablic Limited Company ("Optim Conventible

one mad constitions of the Office and proposeds are set out in the Office Do

The Office is not being seeds, directly or indirectly, in the United States of Assurine. This advection test in or into the United States of Assurine.

The Offer, which is made by present of the Offer Dorntmest and this subvertices of, is capable of nonytones after 11.59 pm on St., is to 1990. With effect from that time the Offer Dorntmest may not be despected who held, or who are waitled to have allested or issued to them. Optim ordinary shares or Optim Conventible Stock. Such persons no influence dust copies of the Offer Document and the Person of Acceptance will be available for collection from URS Phillips & Down Securities Limited, 100 Liverpool Sharet, London 1979-14 1981.

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> However, an extraordinary charge of £185,000 produced a net loss of £171,000. In the pre-4H3C) vious financial period – from August 12, 1987, to December 31, 1988 – Butte suffered a pre-tax loss of £33,000 and a net loss of £365,000.

Staffordshire, to record a £14,000 taxable profit for Turnover last year was £1.2m and there was an operat-ing loss of £797,000 compared with a loss of £474,000 in the previous 17-month period. Bank interest brought in

**Currency gains boost** 

By Kenneth Gooding, Mining Correspondent

Butte to £14,000 profit

Butte said the extraordinary

### UK COMPANY NEWS

# Leigh Interests on target with £8.4m

LEIGH INTERESTS, the West Midlands-based waste disposal group, increased pre-tax profits in the year to end-March by 39 per cent to £8.35m. This was in line with a forecast made in February when it launched a £35.6m one-for-three rights

The profits advance came despite continuing restrictions imposed on some existing operations and delays in planning and licensing decisions which prevented it from commissioning several new facili-

During the year the company made nine acquisitions, of which the biggest was Clay Collieries bought for up to £17m last November.

Mr Arthur Kent, finance director, said that acquisitions in aggregate put in about 27m to turnover during the year, so sales growth from existing businesses was about 20 per cent. Group sales were £69m (£51.6m).

CURRENCY exchange gains enabled Butte Mining, which has silver, gold and base metal interests in Montana and a zir-

con processing company in

Earnings per share rose to 16.9p (13.8p). The final dividend is lifted to 4.88p (4.2p). making 7.1p (6.32p) for the year.

Mr Malcolm Wood, chair-

man, struck a confident note on the current year. He said that results were now ahead of last time without being boosted by contributions from any of the £8.5m worth of new facilities on which Leigh is still awaiting consents.

"On the assumption that new facilities in which we have already invested will receive the necessary consents during the year, he said he expected strong organic growth.

The new facilities range

to a large chemical incinerator in Doncaster. Last year, interest payments took about £1.76m (£482,000) from profits. Acquisitions cost the company about £24.5m, of which £8.5m is payable on

Leigh has about £15m in the

charge was a provision made against the possible non-recov-ery of a debt in respect of a disputed transaction.

The company refused to give details because the matter is

£180,000 (£656,000) and there was a currency exchange gain of £647,000 (a loss of £215,000). Interest took £16,000 (nil).

deferred terms.

from four clinical incinerators

Malcolm Wood: expects strong organic growth

bank in the wake of February's rights issue. The funds were earmarked for installation of

existing treatment and disposal

• COMMENT These results contained a healthy strengthening of mar-gins in the second half, helping to boost confidence in Mr Wood's bullish-sounding comments on the outlook for the thus ranges between about 17 and 19. This looks a fair com-promise between the twin market views of Leigh as one of

#### current year. But the big imponderable in forecasting the outturn is whether and when consents on new facili-ties will come through. Depending on the degree of optimism on this point, pre-tax profits estimates vary between £13.5m and about £15m. The prospective p/e on the shares, which like those in rest of the waste disposal sector stand on a big premium to the market,

the less exciting companies in its peer group, and the one most vulnerable to take over.

## new plants and upgrading of **Lombard North Central**

hit by interest rates **By David Barchard** 

PRE-TAX PROFITS at Lombard North Central, the finance house owned by National Westminster Bank, fell sharply to £23.9m during the six months ending March 31 1990. That compared with £42.9m. Earnings per share fell

from 17.6p to 9.8p. Sir Hugh Cubitt, chairman, said that profits had been depressed by high interest rates which had reduced demand and put pressure on

He warned that profits in the second half would be unlikely

**NEWS DIGEST** 

to reach the level of the same period last year, though he was confident that profitability would improve significantly when interest rates fell.

Lombard has raised its charge for bad and doubtful

debts in the total lending book by 0.2 percentage points. The finance houses of the big four clearing banks all

reported poor results during 1989 and these figures suggest that they will fare even worse in 1990 as consumer demand slackens under the impact of high interest rates.

### Sanderson **Electronics** gains 18% in half year

By Alan Cane

SANDERSON Electronics, USM-quoted computing services company which holds a 49 per cent stake in General Automation, the US minicon. puter company, increased pa-tax profits by 18 per cent in the half year ended March 31

Profits were £1.78m (£1.51m) on sales of £6.45m (£6.19m). Earnings per share rose 22 per cent from 11.5p to 14p and the directors are recommending an interim dividend of 3p, a 43 per cent increase,

The result was achieved despite an increase in interesi payable to £146,000, against a credit last time of £32,000. The company said that immediate progress depended on the effects of the present uncar-

tainty and high interest rates Revenues from mainte software licence fees and sup-port contracts provided the group and its associated conpanies with a turnover of more than £15m.

Sanderson is a specialist in the "Pick" operating system, software which is well regarded by programmers atthough it has not achieved the widespread popularity of AT&T's "Unix" system.

Mr Paul Thompson, chair. man, said the group had 760 employees in 30 offices in 11 countries. The group and its associated companies have installed about 8,000 computer contemps with an annual terrors. systems with an annual turnover of over £50m. Sanderson has the right to

increase its holding in General Automation, which is trading profitably, to 51 per cent at a total cost of £130,000.

### **GIGIC**

#### **Anglo American Corporation** of South Africa Limited

#### Results for the year and final dividend (subject to final audit)

**Consolidated income statement** 31.3.90 31.3.89 Net Income Investment - other Net income before taxation 2 254 Taxation 1 524 Net income after taxation 1 865 Attributable to outside shareholders Attributable carning 1 254 1 391 1 507 1 623 Retained earnings of associated companies Equity accounted earnings Earnings after extraordinary items 2 669 Transfer to non-distributable reserve 2 318 1 401 1 268 1 497 Ordinary dividends (note 2) Retained earnings 745 646 Number of ordinary shares in Issue - millions 231 Earnings per ordinary share - cents - attributable earnings equity accounted earnings 1 352 Dividends per ordinary share - cents 240 200 attributable earnings 2.00 4.16 equity accounted earnings Net asset value per ordinary share - cents

 References to ordinary shares and ordinary dividends include the S ordinary shares which rank part passu in all material

respects with the ordinary shares.		
	1990	1989
2. Ordinary dividends comprise:	R pallice	R million
No. 107 (interm) of 85 cents per share		
(1989: 70 cents) declared November 23 1999	196	151
No. 108 (final) of 240 cents per share		
(1989: 200 cents) declared June 4 1990	556	461
	752	622
a san a construction of the construction of th		

16 298

 $12\,379$ 

3. The net asset value, after providing for the final dividend, includes investments at market and directors' valuations less the outside shareholders' share of the appreciation over the book values. The annual report will be posted on or about June 28 1990 and the

#### Segmental analysis of equity accounted earnings

in the annual report.

Chairman's Statement on or about July 16 1990.

		1920		989
R	m@lon		R million	- %
Mining finance	649	29.7	598	22.6
Gold and uranium (including Amgold)	373	11.9	391	14.8
Diamonds	889	28.4	679	25.7
Cnai	132	4.2	80	3.0
Platinum and other mining	302	9.7	200	7.6
Industry and commerce	563	18.0	499	18.9
Financial services and property	180	5.8	144	5.4
Tetal	3 088	98.7	2 591	98.0
Other net revenue	223	7.1	192	7.2
Prospecting	(181)	(5.8)	(138)	(5.2
Equity accounted earnings	3 130	100.0	2 645	100.0

the Corporation is invested. This analysis is based on the principal

business activity of each investment and so does not indicate the

Satisfactory earnings growth continued in the year under review although, as predicted in the interim report, the momentum slowed in the second six months of this financial year. Attributable earnings were 20.1 per cent higher at R1 507 million (651 cents per share) from R1 254 million (545 cents per share) for the previous financial year, while equity accounted earnings increased by 18.3 per cent to R3 130 million (1352 cents per share) from R2 645 million (1148 cents per share). income from investments at RI 530 million was 19.3 per cent higher than the comparative R1 282 million, The increase is largely attributable to higher dividend payments from diamond and platinum and other mining interests. Trading income increased by 36.1 per cent to R581 million from R427 million reflecting improved results from Anglo American Coal Corporation (Ameoal). A large part of the increase in taxation and of the increase in outside a interests in earnings is also attributable to Amcoal's improved results. Other net income increased by R54 million to R143 million is because of improved interest and net fee income, partially offset by a 31.1 per cent increase in prospecting costs to R181 million. The retained earnings of associates, which are transferred to nondistributable reserve, were 16.7 per cent higher at RI 623 million, the major contributor to the increase being De Beers Consolidated Mines. The largest component of the extraordinary surphus of R685 million arises from the equity accounting of the Corporation's share in Minorco's gain on the disposal of Consolidated Gold Fields.

On a segmental basis, diamonds again provided the major impetus. with a 30.9 per cent growth in income of R210 million so that this segment contributed 28.4 per cent (1989: 25.7 per cent) of total equity accounted earnings. The contribution from gold dropped by R18 million and represents 11.9 per cent (1989: 14.8 per cent) of equity accounted earnings, while the underlying gold content of mining finance held back its increase to R51 million, its contribution representing 20.7 per cent (1989: 22.6 per cent) of equity accounted earnings. The Corporation derives most of its gold mining income from dividends paid out of earnings of the immediately preceding calendar year, when the gold price averaged R32 112 per kilogram (\$381 ounce), an increase of less than one per cent from R31 902 per

kilogram (\$437 per ounce) in 1988. However, costs per ton milled and per kilogram produced increased by 9.3 per cent and 16.5 per cent per fologram produced increased by \$3.5 per cent and 10.5 per cent respectively resulting in reduced profit margins. The contribution from industrial interests was up by R64 million and represented 18.0 per cent (1989: 18.9 per cent) of equity accounted earnings. Sound growth was achieved in platinum and other mining (up R102 million), coal (up Committee) and industrial and conserve (up R102 million). R52 million), and financial services and property (up R36 million). For and on behall of the board

1 Ogilvie Thompson Directors N F Opponheimer

Amount (South African currency)

#### Dividend

On Monday, June 4 1990, the directors of the Corporation declared final dividend No. 108 on the ordinary and S ordinary shares, as

Last day to register for dividend (and for changes of address or dividend instructions)	Friday, June 22
Registers closed from to (Inclusive)	Saturday, June 23 Saturday, July 7
Ex-dividend on Johannesburg and London stock exchanges	Monday, June 25
Currency conversion date of sterling payments to shareholders paid from London	Monday, June 25
Dividend warrants posted	Thursday, August 2
Payment date of dividend	Friday, August 3
Rate of non-resident shareholders' tax	14.59755 per cent
The full conditions relating to the dividend ma Johannesburg and London offices of the Corpo	

secretaries. By order of the board, C L Maltby Secretary June 5 1990

basis to show the relative contribution of the various sectors in which Head office: 44 Main Street diversity of the underlying investments, details of which will be given

NAME OF TAXABLE PARTY OF TAXABLE PARTY.

Johannesburg 2001

40 Holborn Viaduct London EC1P 1AJ

#### **26%** rise at CML Micro

MICROSYSTEMS' first-half growth was maintained in the second and pre-tax profits rose 26 per cent from £3.32m to £4.2m for the full year to March 31.

Turnover advanced to £13.67m (£11.41m) and operating profit came out at £3.48m (£2.93m). Net interest receivable totalled £727,000 (£387,000). After tax of £1.48m (£1.2m), earnings worked through at 15.5p (12.13p) per share. The proposed dividend for the year is lifted to 2.3p (1.8p), an increase of 27 per cent. Mr George Gurry, chairman,

said that the semiconductor business had shown firm growth and that increased sales and operating profits were posted by both the UK and US operating companies, with cellular radio, telecommunications and private mobile radio as the main product

The expected second-half improvement in the group's traffic operations was not fully realised and steps to improve profitability have been initi-

**CLF** results hold back CLF Yeoman

A disappointing performance

of February 152.65m lower at 1511.74m. Directors said that the business was being reorganised and rationalised. Legal proceedings against SG Warburg and Linklaters and Paines for advice given

by the CLF Holdings subsid-iary left pre-tax profits for CLF Yeoman in the year to the end

during the acquisition of CLF were initiated in April. Gross income for the Dublin-based holding company with interests in vehicle and

equipment leasing was almost doubled at I£135.06m (I£71.34m). After a tax credit of 152.38m (1£1.72m charge) earnings per share were 20.4p (31.4p). A final dividend of 4.15p is proposed for a total payment of 5.65p (2.75p).

#### Bristol Waterworks increases to £4.2m

Bristol Waterworks, in which the French Générale des Eaux and Lyonnaise des Eaux hold stakes of 29.9 per cent and 18 per cent respectively, increased its surplus after tax from £3.36m to £4.2m in the year to March 31 on turnover which had risen from £32.32m to £37.9m. Tax took £444,000 compared with £382,000.

The board has declared a final dividend of £2.45 per cent on the 4.9 per cent (formerly 7 per cent) maximum consoli-dated ordinary stock and the 4.9 per cent maximum ordinary stock and £1.75 per cent on the 3.5 per cent (formerly 5 per cent) maximum ordinary stock.

#### Blenheim makes US buy for initial \$34m

Blenheim Exhibitions Group, the organiser of trade exhibi-tions and conferences, has acquired Bruno Group of the US for an initial consideration of \$34.1m (£20.3m), comprising 1.76m Blenheim new ordinary shares and \$8.6m (£5m) cash from Blenheim's own resources.

The lanuzzi family, share-

1965, are taking some £12.2m of Blenheim shares as initial consideration, £8.6m of which they have undertaken to retain for two years, and only \$5m (£3m) cash. Mr Ralph lanuzzi Jr., one of the vendors and chief oper-ating officer of HA Bruno will join the board of Blenheim. Deferred consideration, payable in shares, is equal to eight times pre-tax profits for the year ended December 31 1990

holders of HA Bruno since

less \$30m (£17.9m) up to a maximum of \$50m (£29.8m). Bruno Group is a leading organiser of exhibitions in New York, Chicago, Dallas and Boston. Its revenues over the three ber 31 1989 increased from \$6.2m (approximately £3.7m) to

Burmah buys fuels retailer in Australia

\$11.8m (£7m).

Burmah Oil has acquired Astron Petroleum, an Austra-lian fuels marketing concern.

Burmah is buying 90 per cent of the business and assets of Astron, whose sites have been valued at A\$22m (£10m).

Astron is a privately owned and run company, which was founded some five years ago. The business has grown rapidly and currently comprises 23 stations in Melbourne, 14 of which are company owned, the remainder being leased.

#### Chillington lower in second half

A sharp fall in second-half profits from £2.04m to £1.3m left the Chillington Corpora-tion, the engineering, plants tion and trading concern, with £4.22m for the whole of 1989, an 8 per cent rise on the previous year's £3.91m.

Mr Konrad Legg, the chairman, said trading conditions in the UK remained difficult and reduction in interest rates or a sharp increase in commodity prices, it would be a challenge to match the 1989 results in the

Turnover for the year grew 9 per cent to £70.44m (£64.63m).Tax charge was £881,000 (£592,000) and fully diluted earnings per share were 6.1p (10.4p) on a net basis, or 6.7p (10.4p) on a nil basis. The recommended final divi-

dend is 5p (same) for a total of 8.25p (8p) and again holders may elect to receive shares in lieu of cash.

#### ANGLOVAAL GROUP

**DECLARATION OF FINAL ORDINARY** 

AND N ORDINARY DIVIDENDS -YEAR ENDING 30 JUNE 1990



Dividends have been declared payable to holders of ordinary and N ordinary shares registered in the books of the undermentioned companies at the close of business on the dates shown. The dividends have been declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 9 July 1990, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. Warrants in payment of the dividends will be posted on or about 3 August 1990. The transfer books and registers of members of the companies will be/have been closed on the dates shown. All companies mentioned are incorporated in the Republic of South Africa.

Name of company (Ordinary shares, unless indicated otherwise)	Notes		ents per sha june 1990		financ	al for ial year er share 1989	Consolida Estimated 1990 R000	ated profit Actual 1989 R000		absorbed idends 1989 R000	Last date to register 1990	Transfer books and registers closed 1990
Anglovaal Limited Reg. No. 05/04580/06 Ordinary N ordinary	21-23	89 i	62 62	51	92	76	232370	182 665	39 410	32 541	l2 April	13 April to 20 April
Middle Witwatersrand (Wessern Areas) Urnited Reg. No. 05/04469/06	3.1-3.3	76	4	4	6	6	26 447	30 788	21 836	14'612	25 May	26 May
Zandpan Gold Mining Company Urnited Reg. No. 55/02414/06	4	36	ILS	17	22.	30.3	28 504	39 429	28 645	39 451	29 june	30 june to 6 july

TTES:

Consolidated profit figures are after toxation, outside shareholders' interests and preference dividends but before extraordinary items.

While estimated Group earnings are 27 per cent higher than the previous year, earnings per share increased by 21 per cent following the additional number of shares issued in May 1990 as a result of the rights offer of Niordinary shares. The increased earnings were due to significantly higher equity-accounted earnings mainly from The Associated Manganese Mines of South Africa Limited. The forecast earnings contribution from Anglovaal Industries Limited is also higher despite the percentage holding in that company reducing from 66 to 60 per cent following the change in that company's investment holding structure. Income

despite the percentage holding in that company reducing from 66 to 60 per cent following the change in that company's investment holding structure. Income derived from gold mining investments was lower.

2. In terms of the scheme of arrangement, the 'A' ordinary and participating preference shares were converted to N ordinary shares on 12 February 1990 and the then ordinary and N ordinary shares were subdivided on a 10-for-1 basis. Comparatives for 1989 have been adjusted accordingly.

The Company amnounced on 30 March 1990 that as the R822-m to be raised from the first offer of N ordinary shares would only be available in May 1990, the directors had resolved that the N shares to be issued in terms of that offer would not rank for the final dividend on its ordinary and N ordinary shares, mining investments were lower. Equity-accounted earnings were higher, mainly due to the cessation of losses related to the investment in Klipspruit Collery.

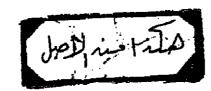
which was sold on 30 June 1989.

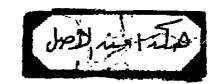
On 23 August 1989 the ordinary shares were subdivided on a 25-for-1 basis. Comparatives for 1989 have been adjusted accordingly. 3.2 On 23 August 1997 the ordinary shares were supplied on a 23-lor-1 basis. Comparatives for 1989 have been adjusted accordingly.
 3.3 The Company announced on It May 1990 that as the R439m to be raised in terms of its rights offer of ordinary shares would only be available in June 1990.
 4. The Company's reduced earnings and dividend reflect last week's declaration of a lower dividend by Hartebeestfontein Gold Mining Company Limited, in which the Company has its main investment.

By order of the boards Anglovaal Limited per: E. G. D. Gordon

London Secreturi Anglo-Transvaal Trustees Limited 295 Regent Street London WIR 8ST

Anglovaal House 56 Main Street





#### **UK SHARE OWNERSHIP DISCLOSURE**

Sanden Friday June 1, provisions of the companion 1989 came into force requiring an investor ring 3 per cent or more of a UK public declarathic opposition. The previous cipany to declare this ownership. The previous at which disclosure had to be made was 5 cent. The Financial Times will be printing a imary of Stock Exchange amouncements of Alan Cone Hostings of between 3 per cent and INDERSO. er cent. Announcements included in today's le are those made on Friday and Monday for ch space permits inclusion. Further tables will ear each day this week. Those announcements wded out today will appear tomorrow.

> : companies in which the stakes have been disclosed are shown pold.
>
> For each, the names of the investors are followed by the shares hey hold, in thousands, and the percentage this represents of the company's total shares outstanding.

hore investment Management 2,586 %) Clan Royal Exchange 2,586 (3,48%) Identifies
Management 1,355 (4.44%) Mead Victors
In Airways Pension Fund 475 (2.45%)
Ident Mutual Managed Pensions
a 500 (3.64%) en Petroleum worf investment Trust 1,884 (3.25%) worf Overseas Investment Trust

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Secure Homes / Life 758 (3.61%) ; tab Bank Corporation ik Nominaes 2,909 (4,80%) on Premier Investment Trust 2,803 5h Provident Institution 2.750 Bank Nominees 1,975 (3.30%) ogg 2,950 (4.80%) Vietnis Innsions 537 (4,70%)

e Brothers Pic Employees Share 200 (487%) able Life Assurance Society 128 is Provident Life Office 602 (4,73%)

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(CC Prudential Portiolio Managers • (3,03%) adustries ( Dhabi 19,100 (4.82%) raco Montines 15,634 (3,76%) dential Corporation 17,087 (4,14%) Properma Corporation 17,087 (4,14% BPP Hiddlings Kleinwort Benson Investment Man-ment 711 (3,60%) NFU Mutual Insurance Society (3,00%)

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D.H. Sharlouk 555 (2.20%)
Estate of J.M. Rayner Decemed 583 (3.40%)
J.A. Gibson 521 (3.00%)
M.J. Woodhead 550 (3.20%)
P.H.S. Bayter 550 (3.30%)
T.C.J. Wood 663 (3.90%)

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Brandou Mire Stock Beach & Co 469 (4.58%)

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Dundee and London laws
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inflore British Steel Pension Fund 1,500 (3.67%) nifough Prudential Corporation 8,787 (7.44%) Butter Cox DRG Pension Fund 170 (\$.18%) Mr C J Woodward 224 (4.19%)

CIA Group Ian Richard Rogets 432 (4.11%)

Campbell & Armatong
3i Group 472 (3.31%)
Royal Exchange Trust 455 (3.19%)
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ey Life 11,478 (8,58%)

(2.21%) Queen Anne's Gale Asset Manage 12,463 (3.89%) Chrosedain Innovation Chrosedain Innovation Staff Superantuation Scheme 325 (3.89%)

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Cropper (James) British Aerospace Pension Fund 355 (4.55%) Mr. Philip A. Cropper 280 (3.19%) Crews Communications Group Seat Holdings 872 (3.86%) LR. Mannell 1,000 (3.82%) Universities Supergroup (1)

Peniels (8) Mr G.A. Kiuman 363 (4.51%)

Beachin
B W D Securities 1,137 (-%)
Mr A Waddloor 801 (-%)
Mr S M Waddloor 811 (-%)
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Arts - Particle M Sarriott 250 (3.95%)
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S Group Equitable Life Assurance Society 1,011 (3.66%) ICI Investment Managers 1,006 (3.66%) Retuge Group 1,045 (3.66%) Electron House CRG Pension Fund 580 (3.25%)

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Prudential Corporation 14,401 (3.26%)

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Flanting Universal Investment Treat
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D J Cope 1,477 (3.79%)
S S Conway 1,343 (3.40%)
Scottish Amicable Investm
1,885 (4.20%)

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Gardiner Greep Gartmore Investment Management (3.20%) State Street London 1,827 (3.04%)

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Geet Petroleum Abbey Life 6,485 (4.10%) ADDRY LITE Press (n. 10-m)
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eldehouse Group Greekern House 900 (5.75%)

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D R Tudor 1,117 (3.00%)

J Hall 1,215 (3.00%)

R N C Nati 1,085 (3.00%) Friends Provident Life 3,742 (3,80%) Mr D S Barber 4,173 (4,20%) emisereon Property ICI 5,738 (4.41%) Prudential 1,180 (3,30%)

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ipmorth Prudential Corporation 9,388 (4.85%) Abboy Life - (3.46%)
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Herett (4) & Son (Festion)
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erting Indicatrine 38 and 31 Group 1,051 (3,40%) British Airways Pension Fund 1,355 (4,39%)

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(3.0%) Mary Oriental Independent Newspapers Ptc 1,275 (4.99%) Milli (Nombrees) Ltd 1,061 (4.15%) Provident Mutual Life Assurance Associa-tion 500 (3.13%) Mountaine Estates Ars A. Williams 141 (3.07%) New Carentish Estates Laurentish Financial Group 615 (4.40%)

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Logal & General Investment 2,806 (3.68%) Princi (Besjamin) Temilco & Starons 1,741 (4.32%)

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Ranta Hotla Mollouge# Prudential Corporation Group (2.44%)

Klainwort Senson Investi ment 696 (4.95%)

Chatavorth Management Services 1,200 (3.50%) Legal & General Assurance Society 1,190 (3.32%) Prudential Corporation 1,026 (3.01%)

Scott & Robertson Scottish Amicable Im 745 (4.07%)

Sharpe & Fisher Diana Fisher 1,011 (4.89%) Impersal Group Pansion Trust 678 (3.29%) Refuge Assurance 624 (3.02%)

Irdar Allied Textile Companies 1,850 (3 46%) Or & Mrs J.H. Tyrrell 1,800 (3.37%) Miss C.J. Tyrrell 2,528 (4,73%) Mrs S.G. Ainclie 2,000 (3.92%) Smith (James) Estates Mr Colin George Snart 541 (-%) Mr John Paul Dermes 727 (-%)

Strategom Group Banque Paribas 180 (4,50%) otherland Holdings SEB Investment Management 2,000 (3,80%) Unichips Finance 2,507 (4,80%)

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Termec Prudential Corporation 30,526 (4.22%) Scottish Widows Investment Manageme 24,269 (3.36%) Teylor Woodrow Morgan Graniali 13,416 (4.08%) eredo Petroleum Royal Bank of Canada - (3.25%)

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Tinsiny Robor Royal Exchange Trustee 985 (-%) Tonkine ICI Investment Menagement 4,751 (3.69%) Torex Hise Friends Provident Unit Trat Mgrs/Life Office 410 (4.15%) Transport Development Group British Telecom Stelf Superannual Scheme 4,874 (3.22%) Prudential Corporation 5,761 (4.65%)

Tribune investment Trust
Viscount David Ednam 2,350 (4.68%) Unigate
Prudential Corporation 8,354 (3.61%) Virut Holdings Imperial Group Pansion Trust 1,465 (-%)

icies Group Legal & General Investment Manager 713 (4.67%) ISP Hokilings Prudential Portiolio Managera 332 (3.29%) Sun Alliance Equity Unit Trust 358 (3.54%) Sun Alliance Group 400 (3.86%)

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British Airways Pension Fund 4,046
(3.31%)
Logal & General Assurance Society 4,598
(3.76%)
Mr A.T.A. Wates 5,941 (4.89%)
Mr M.E. Wates 5,969 (4.4%)
Prudential Corporation 0,104 (4.89%)
Scottish Amicable Investment Menage-Websiller (Barry) International Gartmore Investment Manage (3.36%)

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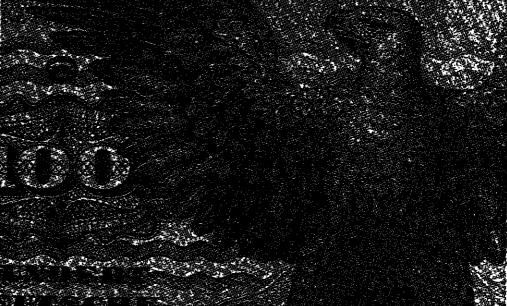
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And thanks to a glo ing from Düsseldori to New York and from Tokyo to





#### **COMMODITIES AND AGRICULTURE**

P EOPLE WHO provide

exploration process. Murray

Pezim, probably the best-

known share promoter in North America, is one such

His friend, the US comedian

Red Buttons, summed up the faith Mr Pezim instils in his

clients by saying: "I can guar-

antee that all of us will go out

and buy his stock tomorrow

crapper."

legendary.

companies.

tion of wealth."

and hold it until it goes in the

According to his latest biographer, Frank Keane\*: "His deals made dozens of million-

aires, gave work to hundreds of lawyers, accountants, engi-neers and stockbrokers. His

three marriages left him broke,

but not broken, and his wins and losses on the market are

"Murray Pezim is the eternal

entrepreneur and he loves a deal more than the accumula-

Flamboyant and larger-than-

life, the 70-year-old Vancouver-based promoter's triumphs

include the discovery of the Hemlo Gold Camp, which now hosts the Page-Williams gold

mine, Canada's biggest. Even though he was at an

age when many people think of retiring, he continued to wheel

and deal with his exploration

Now Mr Pezim seems to

have hit the jackpot again with

the Eskay Creek property, 50

the money are an impor-tant element in the gold

### Maker of millionaires strikes gold again Norwegian oil reserves estimate raised by 17.5%

By Karen Fossil in Oslo

STATOIL, THE Norwegian state oil company, has uprated estimates for the country's total oil resources by 17.5 per cent. Following a major in-house study it now puts dis covered and undiscovered reserves at 4.52bn standard cubic metres of oil equivalent. up from 3.85bn.

The analysis included data on new geological reservoir horizons, compilation of reservoir data from all oil companies operating on the Norwe-gian continental shelf and a more thorough review of its own reservoir data.

For natural gas, discovered undiscovered resources have been revised upwards by 180m standard cubic metres of oil equivalent to 5.5bn.

The greatest change is in estimates for discovered and undiscovered oil reserves south of the 62nd parallel, where Norway's oil and gas field developments are found. New estimates for this region have been revised upwards by 740m standard cubic metres of oil equivalent to 2.8bn.

The analysis, which is under-taken by Statoil annually, forms the basis for the cor pany's petroleum exploration and development strategies.
According to Statoli, Norwegian explorers have discover

two-thirds of the Norwegian North Sea oil and gas reserves, leaving one-third to be found and proven. In other exploration areas, such as the Barents Sea and off

the mid-Norway coast, Statoil made only marginal upwards revisions in 1990 estimates for both oil and natural gas. The Norwegian Petroleum

Directorate. the country's watchdog over energy activities, estimated Norway's recov-

A MARKED shift is expected in

the priorities for Britain's gov-

ernment-funded agricultural

research over the next few

years, with more being spent

on food safety, animal welfare and the environment and less

on promoting production or on research that is deemed to be

Figures published yesterday

by the newly constituted Prior-

ities Board for Agricultural Research show a total budget

of £213.9m for agricultural research in 1989-90. Of this, 15

per cent will go on food and

nearly 40 per cent on animal research of various kinds. Environmental research and

plant research, including pesti-

cides, will together take over

According to the Board, by 1991-2 all public funding of

near-market R & D will have

By Bridget Bloom, Agriculture Correspondent

ESTIMATED NORWEGIAN OIL RESERVES

(withou staucard	on w or on admasse	m) _
	1990	1989
Oil		
discovered	2,175	1,995
undiscovered	2,345	1,860
Gas		
discovered	2,780	2,750
undiscovered	2,680	2,530
undiscovered Source: Statoli	2,6	180

erable reserves at the end of last year to be 12.38bn barrels, or about 20 years of production at the current rate of 1.7m barrels a day. Statoil's estimates, however, which include undiscovered reserves, suggest that Norway could produce at the current rate for about 45 years. A senior official with Nor-

way's Oil and Energy Ministry said he was not surprised by Statoil's conclusions, though he said that his ministry had not yet examined the data closely. "The trend which the figures indicate is in line with our expectations " he said.

The official suggested three ways in which Statoll's reserves estimates revision might be explained: Field development decisions are usually taken with a safety buffer as regards reserves estimates to enable a "comfortable

level of economy." Reservoir management over time often allows increases in reserves estimates because of data compilation • Technological improve-

ments in reservoir manage-ment skills often allows further increases in reserves estimates. In addition, he explained

that there were different methods of evaluating reserves estimates because of the varied

Food safety is research priority

ceased. Total government expenditure will then be \$218.2m. However, this rise is

in cash terms only; in real terms the sum spent on gov-

ernment research will have

Mr John Gummer, the Minis-

ter of Agriculture, launched a special conference on research

and development in London

yesterday by claiming that the

changes in research priorities would provide both the tax-

payer and industry with better value for money and better

research.
The conference, sponsored

by the Ministry of Agriculture,

was clearly designed to restore morale both among the Gov-

ernment's research scientists

industry as a whole. It follows two years of often bruising

confrontation as the Govern-

within the agriculture

reservoir models which were emploved The NPD, which is to evaluate Statoil's reserves figures, also said that it was not surprised, though it thought the figures could be less conserva tive than its own data might prove later this year when it was due for revision.

"I think that Statofi's mes

sage is one positive to an upside, unproven North Sea potential, which is quite in line with our view. It can also be explained by the fact that never before has an oil com-pany analysed in such detail the potential of speculative reserves," an NPD official said.

Saudi Arabia alone among the members of the Organisa tion of Petroleum Exporting Countries seems to have hon-oured the production cut pledged a few weeks ago, according to New York-based Petroleum Intelligence Weekly.

in May, members of the car-tel agreed cuts totalling 1.5m barrels a day, but actual Opec production in that month amounted to 23.5 b/d, down only 310,000 b/d, PfW estimates. Both Iran and Iraq pumped at the maximum rate, it says, with flows rising to 3.1m b/d each. And it believes Kuwait continued to pump at

ment has sought, as part of an

Yesterday, Mr Gummer

claimed, without revealing fig-ures, that industry had taken

up most of the near-market

research funding abandoned by the Government, although not

He was satisfied that the pro-

gramme of government fund-ing, priorities for which were

being decided on scientific grounds, would be adequate to

over all sectors, including

stepped-up research into bovine spongiform encephalo-

pathy, or the so-called mad

always in the same sectors.

1.8m b/d.

budget cuts. The International Service for National Agricultural Research has just celebrated its 10th anniversary, but this threat is pre-occupying Dr Christian Bonte-Friedheim, its new Director General. Isnar has worked with about economy-wide drive, to pare the costs of agricultural

> The service, basically a demand-driven management consultancy, has a budget of about \$7m (£4.16m) for 1990. Its 70 staff have a daunting says. "But if you can double the efficiency of a national agricultural research system

by focusing it better, working on a smaller number of tasks, allocating resources more efficiently to targets and regions, then management is an important factor and pays for itself." The donors who support Isnar want to know how much impact it is having on farmers

100 miles 160 km

BRITISH

COLUMBIA

CANADA

YUKON

project

miles north of Stewart in north-western British Colum-

Two of North America's big-

gest gold groups - Corona

Corporation and Placer Dome

- are locked in a battle for a

share of Eskay Creek and its gold - evidence indeed that

one day it might rank with

Hemlo in importance to the

Canadian industry.
Pezim companies struck gold

at Eskay Creek late in 1988. But the project made the rare

lean into the extraordinary in August last year when the explorers drilled one of the

most spectacular holes seen in

News of it ignited the Van-couver Stock Exchange into a frenzy of trading. The North-

ern Miner newspaper said the

In Costa Rica, Isnar's diagnosis led to a priority-setting research council being established and staffed, resulting in improved services to farmers. In 1986, more than 100 researchers worked on 88 commodities to little effect, says Hunt Hobbs, the service's senior research officer, but that fell to 21 in 1989 and will decline further to 10 or 12. Dr Bonte-Friedheim wants to

in beneficiary countries, but

this is hard to assess.

respond to any request for diagnosis of a country's prob-lems – at the policy, system or even station level. For this he is seeking donor support for contingency financing - diagnosis missions cost between \$20,000 and \$60,000. Whether Isnar goes on to help plan, and possibly imple-ment, the measures needed

1604/1600 1513/1502

1765/1763 1695/1686

denends upon the service's priorities and resources

6 months: 1,6182

AM Official Kerb close Open Interest

Total daily turnover 13,859 lots

fotal daily turnover 15,514 lots

Total daily turnover 1,538 lots

45,775 lots

\$1,503 late

10,017 lots

8,302 lots

5,848 lots

19,396 late

9 months: 1,5966

devotes 50 per cent of its resources to Africa, 20 per cent each to Latin America and

international agricultural research centres supported by the Consultative Group for International Agricultural Research (CGIAR) and is waiting for the group's deciion about working in ea Europe. Dr Bonte-Friedheim would go east provided the money came from additional

and preserving genetic

The independently-run cen-

seen for decades as other companies scurried off to the region around Eskay Creek, known as the Iskut-Sulphurets area and covering 3,000 square miles, much of it accessible only by helicopter.

Two recent geological reserve estimates, using differ-ent criteria, concluded that at the end of last year the Eskay Creek deposit contained at least 2.6m ounces of gold and possibly 5.4m ounces. That is a far cry from the

10m ounces of reserves some analysts were estimating after last August's "barnburning" hole. But many agree with lan Wright, analyst with the Laing & Cruickshank financial services group in London, who says: "We believe that the full potential of the Eskay Creek discovery is significantly under-stated in both (reserve) calculations as they do not take into account the valuable zinc and lead components ... According to our estimates this project already contains well in excess of 6m ounces of gold and gold equiva-

Placer Dome, second-largest of the North American gold producers, recently decided to get into the action. It bid C\$230m (£111m) for Stikine Resources a Perinconnected Resources, a Pezim-connected company which owns half of Eskay Creek. Stikine was already the sub-

lent"

ject of a complex bid by Pezim's company Prime

Kenneth Gooding examines the flamboyant man who oils the wheels of exploration Resources, which owns the other 50 per cent of Rakay Creek and manages the property, and Corona Corporation sixth-largest North American gold producer.

Whatever the outcome, the Creek is a hot property and the

industry believes it is already worth at least C\$500m. Analysts suggest the Iskut Sulphurets area, which now has the attention of most of Canada's big gold players (including the American Ray. rick, Noranda and the Teck Corporation, as well as Corona and Placer Dome), may eventy. ally host four or five large gold

In normal circumstances Pezim would have relished the activity. However, his Eskay Creek triumph is overshadowed by charges alleging insider trading brought against him and some associates by the British Columbia securities regulators. These are due to be heard in the autumn.

The allegations are holding up about C\$15m of financings for various Pezim companies, most of which are active in the iskut-Sulphurets area. Mean-while, a typically defiant Pezim says: There is absolutely no foundation to these charges and we are getting ready for the greatest fight ever." \*Pesim: Tales of a Promoter, Keane Productions, 13812 -32nd Avenue, Surrey, BC, Can-

# Budget cuts could hit development in 40 countries

Murray Pezim: loves a deal

standard" and an elated Pezim

said: "Tve never seen a hole like it."

The diamond drillers at

Eskay creek pulled out a core

containing, in part, 682 feet of material with 0.875 troy ounces

of gold and 0.97 ounces of sil-

ver per tonne, and a lead and

zinc content of 1.12 per cent and 2.26 per cent respectively.

In one part of the core, over 200 feet of it, gold averaged

2.877 ounces a tonne, silver 0.85 ounces, lead made up 1.86 per

cent and zinc 3.44 per cent.
Further drilling established
that the Eskay Creek gold is in
two mineralised zones. It also

became apparent that there

was potential for other large, high-grade, bulk tonnage-type

gold deposits in the area. This sparked off the biggest gold rush British Columbia has

more than making money

Geoff Tansey looks in detail at a daunting mandate for agricultural efficiency

HE MAIN agency help-ing developing countries to manage their agricul-tural research better is facing

40 countries. The biggest needs are in sub-Saharan Africa, with just 13 agricultural researchers for every million people, compared with an average of 20 for the developing world and 73 for the industrialised countries. Despite growth in the number of researchers between 1960 and 1964 and 1980 and 1985, funds to support them fell in sub-Saharan Africa and West

mandate, says Howard Elliot, the deputy director. "Most eco-nomic models don't include cow assesse.

Priorities Board for R & D in
Agriculture and Food. Third
Report. May 1990. Ministry of
Agriculture. Whitehall Place, management as a factor," he

Asia, and 10 per cent to West Asia and North Africa. Now interest in aid to east-

ern Europe is growing and some donors are rethinking their aid to developing coun-tries. He already has one request from eastern Europe.

Isnar is the newest of the 13

snar is perhaps the least known of the 13 Centres. CIMMYT in Mexico and IRRI in the Philippines are best known for their work in promoting the green revolution with new varieties of wheat, maize and rice. Other centres work on tropical agriculture, livestock in Africa, dry lands,

17.37 17.93

Latest Previous High/Low

tres have annual budgets of between \$7m and \$30m and are overseen by boards of trustees. Since it began in 1971, the CGIAR has put more than \$2bn into international agricultural

The CGIAR's budget is about \$240m in 1990 - up 6 per cent from 1989, or 1 to 2 per cent in real terms. But this is \$35m less than the centre requested and most budgets have been frozen. Not all donors have pledged yet, says Dr Bonte-Friedheim, who doubts that overall growth will be achieved and faces a 5 per cent cut at

The group is an ad hoc set of aid donors, drawn from the OECD countries, regional development banks, the UN Development Programme, the World Bank and the two foundations that started it - Ford and Rockefeller. It has nearly 50 members, 36 of which contribute about 1 per cent of the

Once a centre's programmes and budget are accepted by the CGIAR, individual donor members decide if, and how much, they want to contribute to that centre's activity. Any shortfall is made up by the World Bank, the donor of last resort. Most recently it put in \$34m behind the US's \$42m and ahead of Japan's \$19m. It is a system the donors think has worked well. But after 20 years, in which

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new centres have grown up outside the CGIAR system, the donors want it restructured in 1988, they asked the technical advisory committee to see about taking in 10 of these new centres. They also decided to broaden its scope from food crops to include agro-forestry and forestry and as well as soil and water management, to take account of sustainability and environmental factors

But the donors do not want to put more money in. That means existing centres may be faced with cuts.

The debate centres on what kind of research the centres should do and how much of the breeding and other work could be passed on to national agricultural research programmes developed since the

Developing country benefi-ciaries hope this is not an excuse to cut international agricultural research, but a review of priorities which will produce greater efficiency.

588/0 583/4 595/4 601/4 613/0 624/4 633/4

23.01 22.63 22.66 22.40 22.01 21.68 21.76 21.70

171.2 178.3 175.0 178.5 179.6 181.5 184.0 186.5

271/0 285/0 282/0 267/4 272/0 274/4

74.37 73.65 75.65 75.45 75.45 75.60 75.80

65.85 62.30 60,05 52.47 51.92 49.95 47.25

64.20 62.20 60.35 60.15

Chicago

SOYABEANS 5,000 bu min; cents/60th bushel

#### **WORLD COMMODITIES PRICES**

en, 98,7% purity (\$ per ton

1557-90 1597-8

1740-5 1682-4

Cash 1612-4 3 months 1617-8

Cash 1603-5 3 months 1509-10

Leed (£ per tonne

Cash 495-5.5 3 months 493-3.5

tel (\$ per tonn

Cash 8200-25 3 months 8225-40

Cash 8210-20 3 months 6340-5

1765-70 1890-3

Copper, Grade A (£ per tonne)

#### THE GOLD price continued to

retreat in thin trading on the London Bullion Market yesterday, but the collapse some pundits had predicted should the \$360-a-troy ounce level be breached did not materialise. The price ended \$6.25 down at \$356.25 an ounce. "Everybody is nervous," said one trader. "As we're moving down the shorts are buying back. By the same token any upside rallies will be sold into." At the London Metal Exchange copper prices railied strongly following last week's decline with the cash position closing £45 up on the day at £1,604 a tonne. The rise appeared mainly to reflect concern

#### **London Markets**

SPOT MARKETS		
Crude oil (per tarrel FOB)		+ 0+ -
Dubar	\$13.58-3.94q	
Bior. J.e.4	\$16 23-6 27q	
Will it process	\$17,32-7,349	-0 07
Oil products (NATE prompt delivery per tr	onno CIFI	+ or -
Premium Gasoline	5226-227	-05
Gas Co	5144 '45	- 5
Hoavy Fuel Oil	\$60-62	-1
Nagarra	5149-151	+1
Potroloum Argus Estimates	ı	
Other	-	- or -
Gots (per may out)	\$356.25	-6.50
Silver toor tray cath	504c	-3
Platinum (per troy 02)	3487.0	.0 5
Pall'ad-um (per froy 02)	5:17.75	375
Aluminum ,free market)	\$1815	+ 50
Concer (US Producer)	1176	
Load US Producer)	45c	
National street market?	330c	-5
Tin I Kuara Lumpur market)	16 47r	0.59
Tire (New York)	293c	-6
Zimt (93 Prime Winstern)	3.13c	
Cattle store weight!	109 249	+ 2 291
Sheno idend weightit	5 90	27.21
Pigs dien minghtif	109 390	-4 4?*
Lendon dam segar traw)	\$325.4v	-58
Leaden dally sugar (white)	S421 5v	-6.3
Tate and Lylo expert price	0.6303	-30
Barley (English 1900)	Unc	
Maide (US fee 3 veltow)	21435	-10
Waget (US Dark Northgrot)	C124.5	-C 5
		<del>~</del>
Pieber ragia 🖤	55 50p	
Auptor (Aug)♥	56 00a	
Febber July 193 No 1 July	229 5m	-20
Cocunut oil (Philips most)	5345v	
Paim Ciri (Wataya 1919	25:04	
Copra (Princonest)	\$220	
Soyaboans (US)	C190 52	-1.0
Catton 'A' Indea	20 50g	+ 0.75

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spoke of a possible further decline slide k Septer contin

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Oct	302 50	297.00	302 40 298.20
Dec	300 00	295.00	290 00 285 00
Mar	257 00	280 20	286 40 280 50
May	286 00	250 00	262 80 280.00
Aug	285.00	277 00	282 00 279 40
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Oct	3790	374 5	378 5 375 0
Dec	371 0	361 5	389.5 384.5
Mer	366 0	357 0	364.0 360.0
Aug	384.0	353 0	360.0 356.0
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	1 (2906)		
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Dec 30%	C. Mar 25	355, May 20	060
CHUDE	OIT - N	<u> </u>	\$/barr
	Lares	t Previo	us High/Low
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Aug	16 66		16.87 16.68
Sep	17 05		17.20 17.04
IPE Inde	16 35	16.36	
Turrove	6236 (7	435)	
QAS OH	1PE		\$/tonn
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Aug	145.75	147.75	148.00 145.25
Sep	149 (0)	151 25	151.00 148.75
Oci	152 25	153 75	154 75 152.25
Nov	154.50	156 00	156 75 154 25
Doc	158 25	157.50	158 75 158.25
Jan	155,75	157 50	158.00 155.75
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Moorena Sta Supert 535.0

# about nearby supplies as traders

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mber position. The apparent g of tensions in the Ivory the main producer, used to encourage sellers sh fuel was provided by	ces (SDRs per tons 0.66 (1126.20) 10 day	1e). D
	o FOX	C/to
ced to defer purchases and Gose P	n FQX Previous High/Low	
ced to defar purchases and cocoa because of its foreign problems. Traders also sep 647 at further deterioration in Nov 880 8 patterns.		

it problems. Tra d a further dete t patterns.		Sep Nov Jan Mar May	647 680 674 689 705	650 664 660 669 714	651 545 666 559 661 674 694 709		
mplied from Re	(\$ per tonne)	turnover: 1441 (2967) lots of 5 lonnes					
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285.00 250.00 285.00 277.00	282 80 280.00 282 00 279 40	Nov Apr	1 f0.0 152.0	123.0 177.5	120.0 109.0 162.5 150.5		
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364.0 353.0	360.0 356.0		Close	Previous	High/Law	_	
er: Raw2405 (9045)lot '51 (2906)	ts of 60 tonnes.	Oct	118.00	119.00	119 00 118 00	,	
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Larest Previo			Close	Previous	High/Low	_	

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_	156.75	157.50	158.00 155.75	Mar	124.25		12
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mov	er 6018 (8	762)lots of	100 tonnes	May	127.20		16
				Barley	Close	Previous	Hi
TEA				Sep	111.90	112.25	11;
			iges on offer at	Nov	110.10	116.45	
THE !	eceks aud	NOT: Include	no 7 000 offshore.	i ——			_

rnover 6018 (6762)lots of 100 tonnes	. :
TEA THERE WERE 28.845 backages on offer at his weeks auction, including 7,000 offshore, sports the Toa Brökers' Association. There was good demand but often at lower levels tompared to the last hale on May 21st.	1
Prighter liquoring Africans sold well at fully frm rates. Others were generally 5-10p maker and sometimes more. Plainest	•
lescriptions were mostly neglected cytions were well supported but prices also tectimed by up to 10ph/6 Offshore loss met imited enquiry and where sold prices were laster. Chotations: qualify 220p/kg nominal no change), medium 120p (132p), tow nodium 780 (880).	1 2 2 2 1
reduum rop (oop).	1

COFFE	₹ – Lon	des FQX	£/tonn
	Close	Previous	High/Low
Jul .	630	638	638 629
Sep	647	650	661 645
Nov Jan	660 674	864 680	666 659 681 674
Mar	689	600	694
May	705	714	709
ige 73.	r: 1441 [7 licator pr Comp. ( 62 (73.63)	2967) lots of rices (US c dally 72.22 )	i 5 tornes ents per pound) to (73.38). 15 day ave
POTAT	0ES - 1	IPR .	£/tonn
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Nov	110.0	123.0	120-0 109.0
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May	168.0		170.0 165.0
Urnove	r 552 {18	(6) lots of 4	O tonnes.
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	Close	Previous	High/Low
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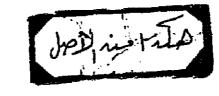
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136.5 136.0 123.0 122.0 124.5 124.0 120.5 111.0

Gold (fute oz		LAPIKE	£ eguh	valent	_ N
Close	356-356		2124-	2134	- 60
Opening fix	358.75	4	2134-2	2144	
Afternoon fix	357.05		213,866		Jus
Day's high Day's low	358 ¼ -35 355 ¼ -35	β¼ SL			Jul Av
					- Oc
Colms	\$ price		£ equi		_ Fe
Mapioleaf Britannia	362-367 362-367		21612-4	21912	Ąρ
US Eagle	362-367		21612-2 21612-2	1812 1843	Ju Au
Angel	362-367		2162-9	21912	
Krugerrand New Sov.	355-358 84-86		2124.9 50-514		PL
Old Sav.	84-85		50-51 1/2	!	PL
Nobie Plat	487.75-4	95.50	202.00	296.80	_
Silver (ts	p/line o	:	US as	ednia	سل اسل
Spot	301.95		605.00		_ Oc
3 months 8 months	313.40 324.85		515,45		Je: Ap
15 WOUTH	347.56		526.20 548.80		Jul
TRADED OFT Atominium (9	9.7%)	Cells		Puta	- =
Strike price 1	tonne Ju	ly Sep	July	Sép	- <u>Ju</u>
1500 1800	11		3	16	اناك
1700	7	64 25	24 88	48 107	Au
Copper (Grad	e A)	Calls		Puta	Sec
2400	18		12	72	- Jar
2500	10	5 85	36	121	Ma Ma
2600	55	51	82	184	Jul
201500	Ju	Sep	Jul	Sep	_ Sej
200	36		7	20	- HBG
150 100	10 2	39 22	31 73	42 75	774
Pocos	<u>-</u>				
100	48	Sop 91		Sep	استان - التال -
150	19	80	9 30	23 42	Alle
100	6	40	67	72	Sep Cort
Prent Cryde	Ju	Aug	Jul	Aug	Oct Nev
650			- 341	Aug	Dec
700		40	76	58	Jan
				-	Apr

vlupe 3		Ne	ew }	<b>ork</b>		
2123 <sub>1</sub> -2		COL	D 100 trov	oz.; S/troy	07.	
21241-2 21314-2 214.589			Close	Previous		w
213,866		Jun Jul	358.8 360.0	359.2 361.0	350.0	365.5 0
		Aug	362.4	363.5	362.5	359.6
		Oct	356.9 371.5	368.1 372.7	366.3 371.8	363.8 368.6
E equiv		Feb	375.D	377.3	375.3	374.0
2161 <sub>2-</sub> 2 2161 <sub>2-</sub> 2		Apr Jun	380.4 385.2	351.6 366.7	379.5 363.8	378.2 383.8
21612-2	1615	Aug	389.7	391.2	0	0
216½-2 2124-2						
50-51 ½ 50-51 b	•	PLAT	DIUM 50 1	roy ez; \$/tr	OY OZ.	
202.00-2	96.80		Close	Previous	High/Los	-
JS cts (		Jun	485.3	487.5	0	0
505.00		Oct Oct	495.8 462.3	488.0 493.5	487.0 402.5	481.5 487.0
515.4 <b>5</b>		Jen	498.0	499.4	498.0	496.0
526.20		Apr Jul	503.5 508.9	504.9 510.4	500.0 g	500.0
548.80		Jui	300.9	310,4	•	0
		SELVI	ER 5.000 b	oy oz; cent	s/troy co.	
	Puts		Çiose	Previous	High/Lov	
July	Sep	Jun	504.9	504.6	0	0
2	16	Jul	508.2	508.Q	508.5	504.0
24 88	48 107	Aug	612.2	512.0	0	0
		Sep Dec	516.3 527.6	516,1 527.4	517.0 528.5	512.0 523.6
<u>—-'</u>	Puta	Jan	531,1	530.9	0	0
12	72	Mar .	538.4	538.2	537.0	535.2
35 82	121 184	May	548.2 554.0	548.0 533.8	544.5	544.0
		Sep	662.3	662.1	651.5 Q	551.5 0
	Sep					
7 21	20 62	HOH	GRADE C	OPPER 25,0	000 lbe; cer	ds/lbs
73	75		Close	Provious	High/Low	
Jul	Sep	رسف	114.20	114.00	115.60	114.00
9	23	Jui	111.15 108.90	111. <b>8</b> 0 109.70	113.00 0	111.00
30	42	Aug Sep	106.80	107.70	106.50	0 197.00
67	72	Oct	105.40	106.40	0	0
Jul	Aug	Nev	104.00	105.10	0	0
	<u> </u>	Dec Jan	102.60 101.40	103.80 102.80	104,20 0	102.50 0
76	55	Mar	28.80	100.60	99.00	99.00
		Apr	98.20	100.00	Ğ.	0

No.   18.35   18.47   18.21   18.25   20.00		AUG	17.93	16,10	18.26	17.89		Ciose	Previous	Higi
Nov   19.33   19.80   19.80   19.32   24.97   24.96   25.97   26.97	,						Jul	582/6	602/0	601
Dec										605
Feb										607
HEATING ONL 42,000 US galls, certa/US galls										613
Lataet   Previous   High/Low		Apr	19.77							623
Latest   Previous   High/Low		HEAT	MIC OR A	2 000 115 0	-110					642
Aug							,	-	0120	<b>U</b>
Aug   6866   6448   5000   4850   Close   Previous   Hill   Hil			Latest	Previous	High/Lo					
Sop   5075   5145   5175   5050						4765	- 80TA	BEAN OIL	60,000 lbs; ¢	ents/i
Sep   3076   5145   5175   5050   Jul   22,12   23,38   23   23   23   23   23   23   23								Close	Previous	High
Sep							.bil	22 12	22 20	
Sep   22.77   22.05   22.00   23.00										23.1
Jun   5510   5555   5560   5485   Dec   22.49   22.60   22.75   22.7							Sep	22.77	22.95	22.9
COCOA 10 tonnes:										22.8
Close		Feb	5475	5520						22.2
Close		COCC	A 10 tone	as-S/Iona						22.0
Sep   1341   1387   1323   1283   1385   1386   1336   1336   1335   1389   1360   1336   1337   1323   1329   1350   Jul   172.1   176.1   177.9   177   Jul   1410   1445   1416   1390   Aug   174.1   177.9   177   178.1   Jul   1410   1445   1416   1390   Aug   174.1   177.9   177   178.1   Jul   1410   1445   1410   1445   1410   Oct   177.5   160.7   180   Jul   172.1   178.1   Jul   1410   1445   1410   Oct   177.5   160.7   180   Jul   122.90   83.10   93.55   92.60   Sep   150.60   93.50   94.65   Jul   182.90   83.10   93.55   92.60   Sep   50.60   93.50   94.65   Jul   192.90   100.00   100.00   Oct   177.5   160.7   180   Jul   182.50   104.00   104.00   104.00   Jul   182.50   104.00   104.00   Jul   182.50   104.00   104.00   Oct   77.5   277.6   277		_								21.8 21.7
Sep   1341   1387   1347   1311   SOVABEAN MEAL 100 tone; \$\frac{1}{2}\$ for the provious   1377   1412   1379   1359   1360   1316   1390   1340   1391   1390   1316   1410   1445   1416   1390   1340   1445   1416   1390   1430   1445   1416   1390   1430   1445   1416   1390   1430   1445   1416   1390   1431   177.8   177.9   1						<del></del>			~	£1.7
Dec 1355 1389 1360 1336 Mar 1377 1412 1379 1350 Mary 1393 1430 1398 1375 Sep 1430 1480 1432 1410 Sep 174.1 177.9 177.9 177.9 177.9 177.9 177.9 177.9 177.1 180.7 184.1 185 Close Previous High/Low Mary 138.25 104.00 100.00 96.75 Mary 131.40 101.70 102.00 96.75 Mary 131.40 101.70 102.00 101.50 Sep 103.90 104.0							SOVA	BEAU NE		
May 1377 1412 1379 1350 May 1393 1400 1396 1375 Jul 1410 1445 1415 1390 Sep 1430 1486 1415 1390 CCOFFEE "C" 37,5000s; contsr/bs  Close Previous High/Low Jul 12.90 83,10 33.55 32 50 Dec 97,75 97,50 93.20 97,35 May 101.40 101.70 102.00 101.75 Jul 182.5 04.00 104.00 101.75 Jul 182.5 104.00 104.00 101.75 SUGAR WORLD "11" 112.000 lbs; cantsr/lbs  Cci 13.49 13.24 13.50 13.36 Cct 13.49 13.24 13.50 13.28 Mar 12.82 12.65 12.90 12.90 Jul 182.89 12.65 12.90 12.90 Jul 182.80 12.85 12.95 12.95 Cco Frevious High/Low Jul 13.58 13.22 13.60 13.36 Cct 12.62 12.30 12.30 Cct 12.62 12.30 12.30 Cct 74.01 73.40 74.10 73.25 Dec 68.58 69.47 69.60 69.20 Mar 70.43 70.40 70.39 70.35 Jul 196.35 186.85 197.45 195.70 Dec 182.50 198.00 182.00 183.00 Aut 182.50 198.00 183.00 183.00 Jul 182.50 198.00 183.00 183.00 Jul 180.50 188.00 183.00 183.00 Jul 180.50 184.00 0  IMEDICERS (Base: Septlember 18 1831 = 100) Jun 1 May 31 mnth ago yr ago Spot — 133 80 134.90 131.64 Futures — 133.80 134.90 131.64 Future —							2017		AL 100 tons;	2-Jou
May 1583   1430   1398   1375   Jul   172.1   176.1   177.9   177.9   Jul   1410   1445   1416   1390   Aug   174.1   177.9								Close	Previous	High
Sep   1430   1445   1416   1390   142   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.9   177.5   180.7   180.							Jul	172.1	176.1	
Sep										177.
COFFEE "C" 37,500/lbs; cents/lbs  Close Previous High/Low Jul 92,90 80,10 93,55 94,66 Dec 97,75 87,50 98,20 97,35 Mar 99,96 100,00 100,30 99,75 Mar 99,96 100,00 100,30 99,75 Mary 101,40 101,70 102,00 101,75 Jul 182,5 104,00 104,00 104,00 Sep 103,90 104 40 108,00 0 Sep 103,90 104 40 108,00 0 Sep 103,90 104 40 108,00 0 Sep 103,90 104 40 108,00 104,00 Jul 13,98 13,29 13,80 13,38 Mar 12,99 13,24 13,50 13,28 Mar 12,99 13,24 13,50 13,28 Mar 12,99 12,98 12,99 12,71 May 12,22 12,64 12,63 12,86 Jul 12,73 12,51 12,67 12,57 Cet 12,62 12,30 12,30 0 Jul 31,10 33,10 32,02 33,10 33,10 32,02 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 33,10 32,00 32,00 33,10 32,00 32,00 33,10 32,00 32,00 33,10 32,00 32,00 33,10 32,00 32,00 32,00 33,10 32,00 32,00 32,00 32,00 33,10 32,00		Sep					Sep			179,
Close		COFF	RE "(" 27	ECOUNT ON			. Oct			180.
Sep   95 US   96 US   97 US							Uec .			183.7
Jul   92.90   93.10   93.55   92.60   93.50   94.85     Dec   97.75   97.50   92.20   97.35     Mar   28.95   100.00   100.30   92.75     Mar   28.95   100.00   100.30   92.75     Mar   28.95   100.00   104.00   104.00     Jul   102.25   104.00   104.00   104.00     Jul   102.25   104.00   104.00   104.00     SUGAR WORLD "11"   112.000   lbs; centar/lbs     Ciose   Previous   High/Low     Jul   13.56   13.24   13.50   13.28     Mar   12.89   12.56   12.90   12.71     Jul   12.73   12.51   12.57   12.57     Oct   12.80   12.30   12.58     Jul   12.73   12.51   12.57   12.57     Oct   12.80   12.30   12.50     Oct   74.01   73.40   774.10   73.25     Mar   70.43   70.40   70.39   70.35     Jul   70.88   70.56   0 0 0     Oct   65.90   64.81   0 0 0     Jun   196.35   196.85   197.45   195.70     Sep   132.50   194.00   183.00   183.00     Jul   196.35   196.45   184.80   184.80     Mar   182.20   184.75   184.80   184.80     Jul   1 May 31   minth ago yr ago     Spot   133.80   134.90   151.64     Futures   132.00   133.86   131.38     Futures   132.00   133.80   131.38     Futures   132.00   133.80   131.38     Futures   132.00   133.80   131.38     Futures   132.00   133.80   131.38			CROSS	Previous	High/Lo	w				184.
Sep   95.06   95.00   95.50   94.65				93,10	93.55	92 6D	May			
Mar   99.96   100.00   100.30   97.35   Marg   101.40   101.70   102.00   101.75   Close   Previous   High   101.80   104.40   109.00   104.40   109.00   May   101.80   104.40   109.00   May   103.90   104.40   109.00   May   103.90   104.40   109.00   May   103.90   104.40   109.00   May   103.90   104.40   109.00   May   1273/6   275/6   277-76   2				95.00		94.65	•		131.0	1012
May   101.40   101.70   102.00   101.75						97.35	MAIZE	E 000 h	<del></del>	
Sep   103.90   104.00   104.				100.00					min; cents/5	BRD Du
Sugar World *11** 112,000 lbs; cents/lbs   Dec 285/2 286/6 287								Close	Previous	High
SUGAR WORLD *11** 112,000 ibs; centar/libe  Close Previous High/Low  Muy 274/2 272/4 277  Mul 13.58 13.29 13.80 13.38  Cct 13.49 13.24 13.50 13.28  Mar 12.89 12.66 12.90 12.71  May 12.82 12.64 12.83 12.66  Lul 12.73 12.51 12.57 12.57  Cct 12.52 12.30 12.39 0  Close Previous High/Low  May 331/0 329/2 335  Close Previous High/Low  May 331/0 329/2 335  Close Previous High/Low  May 356/0 351/0 358/2 350  Cct 74.01 73.40 70.35 70.35  Dec 69.58 69.47 59.60 69.20  May 70.70 70.50 79.70 70.35  May 70.70 70.50 79.70 70.35  May 70.70 70.50 79.70 70.35  Close Previous High/Low  Close Previous High/Low  May 70.70 70.50 79.70 70.35  May 70.70 70.50 79.70 70.35  Close Previous High/Low  Close Previous High/Low  May 70.70 70.50 79.70 70.35  May 18.35 196.85 197.45 195.70  Jul 196.35 196.85 197.45 195.70  Jul 196.35 196.85 197.45 195.70  May 182.50 184.00 183.00 183.00  Mar 183.20 184.75 184.50 184.50  May 182.50 184.00 183.00 183.00  Jul 182.50 184.00 183.00 183.00  Jul 182.50 184.00 183.00 183.00  Jul 1 May 31 minth ago yr ago  Spot - 133.80 134.90 131.64  Futures - 133.00 134.90 131							Jul	273/6	275/A	274/
Close		SIIGA	R WORLD	e447 1120	OO Ilhan da		Sep	268/4		270/1
13.58   13.29   13.80   13.36   13.28   13.29   13.20   13.28   13.29   13.20   13.28   13.28   13.29   13.20   13.28   13.29   12.64   12.83   12.66   12.90   12.71   12.81   12.65   12.23   12.65   12.25   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.57   12.59   12.5							Dec		266/6	265/
Display			Close	Previous	High/Lo	₩				271/
New   13.49   13.24   13.50   13.28		Jul _	13.58	13.29	13.60	13.36				274/
May 12.89 12.66 12.90 12.71         WMEAT 5.000 bu min; cents/801b-12.81         Close Previous High 12.87         VI 2.57         Close Previous High 12.81         VMEAT 5.000 bu min; cents/801b-12.81         VMEAT 5.000 bu min; cents/801b		Oct			13.50		464	2/0/0	2/8/0	2764
Close		Mar								
Cit 12.62 12.30 12.39 0  COTTON 50,000; cents/fibs  Close Previous High/Low  Lid 81.06 81.02 81.25 80.40  Oct 74.01 73.40 74.10 73.25  Dec 68.58 69.47 59.60 69.20  May 70.70 70.50 70.70 70.35  Jul 70.68 70.56 0 0  Cit 66.90 64.81 0 0 0  Jun 74.72 74.47  CRAINGE JURCE 15,000 lbs; cents/lbs  Close Previous High/Low  LIVE HOGES 30,000 lbs; cents/lbs  Close Previous High/Low  LIVE HOGES 30,000 lbs; cents/lbs  Close Previous High/Low  Close Previous High/Low  LIVE HOGES 30,000 lbs; cents/lbs  Close Previous High/Low  Clo		May					WHEA	T 5,000 bu	min; cents/t	101b-bı
Ciose Previous High/Low Dec 351/6 339/2 337/0 329/2 337/0 339/2 337/3 339/2 339/2 337/3 339/2 33								Close	Previous	High
Sep   337/4   338/2   351   34973   34973   34973   34973   34973   34973   34973   34973   34973   34973   34973   34973   351					12.08		Jul	331/0		
Close		2011		cents/los			\$ep			337/4
Section   Sect			Close	Previous	High/Los	w				351/
Oct 74.01 73.40 74.10 73.25  Dec 68.58 99.47 58.60 69.20  Mar 70.43 70.49 70.39 70.35  Jul 70.68 70.49 70.39 70.35  Oct 86.90 64.81 0 0 Jun 74.72 74.47 74.  ORANGE JIRCE 15,000 lbs; cents/lbs  Close Previous High/Low  Close Previous High/Low  Jul 196.35 196.65 197.45 195.70  Jul 196.35 196.65 197.45 195.70  Jul 196.35 196.65 197.45 195.70  Jul 196.35 188.00 187.25 184.50 184.90  Mar 183.20 184.75 184.80 184.90  Mar 183.20 184.75 184.80 184.90  May 182.50 184.00 0 0  Jul 182.60 184.00 0 0  Jul 182.60 184.00 183.00 183.00  Jul 182.60 184.00 183.00 183.00  Jul 182.60 184.00 0 0  Jul 66.25 66.75 65.75 62.  Feb 50.40 50.32 50.  Aug 60.90 60.85 61.  Dec 52.47 52.37 62.  Feb 50.40 50.32 50.  Apr 47.42 47.50 47.  DOW JONIES (Base: Dec, 31 1974 = 100)  Jul 1 May 31 minh ago yr ago  Spot - 133.80 134.90 131.64  Futures - 132.09 133.86 131.38  Feb 60.67 60.95 61.		Jul	81.05	81.02	81.25	BD 40	Mar			358/
Dec 63.58 68.47 68.60 68.20 Mar 70.43 70.40 70.35 70.35 May 70.70 70.50 70.70 70.35 Jul 70.88 70.58 0 0 Jun 74.72 74.47 74.47 ORANGE JURCE 15,000 lbs; canta/lbs  Close Previous High/Low  Close Previous High/Low  Dec 75.57 75.57 75.57 Jul 196.35 196.85 197.45 195.70 See 182.60 182.00 187.25 187.25 Jan 183.20 184.75 184.80 184.90 May 182.60 184.00 182.00 183.00 Jul 182.60 184.00 0 0  Jun 4 Jun 1 moth ago yr ago  INDICES  Spot - 133.80 134.90 131.64 Futures - 133.80 134.90 131.64 Futures - 132.00 133.86 131.38  LIVE CATTLE 40,000 lbs; centa/lbs  Close Previous Hig  74.72 74.47 74.47 73.00  Aug 73.70 73.62 74.  Aug 73.70 73.62 74.  Aug 73.70 73.62 74.  Aug 75.95 75.15 75. Feb 75.05 76.15 75. Feb 75.05		Oct		73.40			may	3000	351/0	355/
Jul 70.88 70.58 0 0 Jun 70.36 Close Previous High Total Previous High High Total Previous High High Total Previous High High Total Previous High High High High High High High High					69.60					
Jul 70.88 70.58 0 0 Jun 70.36 Close Previous High Total Previous High High Total Previous High High Total Previous High High Total Previous High High High High High High High High						70.35	LIVE	ATTLE 40	,000 lbs; cen	tµ/lbs
Oct 96.80 64.81 0 0 Jun 74.72 74.47 74.  ORANGE JURCE 15,000 lbs; center/lbs  Close Previous High/Low Dec 75.57 75.70 75.92 74.  Jul 196.35 196.85 197.45 195.70 Dec 75.57 75.95 75.15 75.  Sep 182.80 193.50 194.00 192.50 Apr 75.95 75.9										_
ORANGE JIBCE 15,000 lbs; cents/lbs  Close Previous High/Low  Dec 75.67 75.70 75.00 75.75 75.77 75.00 75.00 194.00 195.30 194.00 192.50 Apr 75.95 76.95							==			_
Close Previous High/Low Dec 75.57 75					-					74.77
Close Previous High/Low Dec 76.57 75.57 75.  Jul 196.35 196.85 197.45 196.70 75.95 75.15 75.  Sep 192.80 193.50 194.00 192.50 Apr 75.95 75		CHAN	GE TOHCE	15,000 lbs;	CBnts/lbs					74.00
Jul 196.35 196.85 197.45 195.70 Sep 192.50 193.50 194.00 192.50 Nov 196.50 188.00 187.25 187.52 Jen 183.20 184.75 184.80 184.90 May 182.50 184.00 183.00 183.00 Jul 182.60 184.00 0 0  Jul 1 May 31 mnth ago yr ago  Spot - 133.80 134.90 131.64 Futures - 132.09 133.86 131.38  Feb 60.67 60.95 61.55			Close	Previous	High/Los		Dec			
Sep 182.80 193.50 194.00 192.50 Nov 185.50 188.00 187.25 187.25 Jan 183.20 184.75 184.80 184.80 May 182.50 184.00 183.00 183.00 Jul 182.50 184.00 0  Jul 182.50 184.00 0  Jun 66.25 65.75 66.  RESITERS (Base: September 18 1931 = 100) Jun 4 Jun 1 mnth ago yr ago 1888.7 1897.5 1931.0 1998.7  DOW JONES (Base: Dec. 31 1974 = 100) Jun 1 May 31 mnth ago yr ago  Spot - 133.80 134.90 131.64 Futures - 132.09 133.86 131.38 Feb 60.67 60.95 61.57 Feb 50.40 50.32 50. Apr 47.42 47.50 47.  Close Fravious Highlight Spot - 133.80 134.90 131.64 Futures - 132.09 133.86 131.38 Feb 60.67 60.95 61.57		Jul	196.35	196.85				75.05		75.25
Now 186.50 188.00 187.25 187.25 187.25 187.25 184.80 184.80 184.5							Арг	75.95		76.00
Jan 183.20 184.75 184.80 184.90 May 182.60 184.00 183.00 183.00 Jul 182.60 184.00 0 0 Jul 1 May 31 minth ago yr ago Jul 1 May 31 minth ago yr ago Spot - 133.80 134.90 131.64 Futures - 132.09 133.86 131.38 Feb 60.67 60.95 61.65							_			
May 182.50		Jan					LIVE	100E 20 A	00.45	<del>.                                      </del>
182.50		Mar		184,75		184.50				98
Min   66.25   66.75   66.					183.00			Close	Previous	High
Jul 63.05 62.60 63.  Aug 60.90 60.85 60.85 63.  Aug 60.90 60.85 63.  Cct 53.25 52.90 63.  Cct 53.25 52.  Cct 53.25 52.  Cct 53.25 52.  Cct 53.25 52.  Cct 53		اناك	182.50	184.00	0	0	Jun	66.25	86.75	66.69
MELITERS (Base: September 18 1831 = 100)   Oct 53.25 52.80 63.   Oct 53.25 52.   Oct 53.40 50.32 50.   Oct 53.40 63.25 63.   Oct 53.40 63.25 63.   Oct 53.40 63.60   Oct 53.40   O									62.60	63.60
Section   Sect		INA			—			60.90		61.35
#EJITERS (Base: September 18 1931 = 100)  Jun 4 Jun 1 mnth ago yr ago  1886.7 1887.5 1931.0 1998.7  DOW JONES (Base: Doc. 31 1974 = 100)  Jun 1 May 31 mnth ago yr ago  Spot - 133 80 134.90 131.64  Futuras - 132.09 133.86 131.38  Feb 60.67 60.95 . 61.5									52.80	68.70
Jun 4 Jun 1 mnth ago yr ago 1896.7 1897.5 1931.0 1998.7  DOW JONES (Base: Dec. 31 1976 = 100)  Jun 1 May 31 mnth ago yr ago Spot - 133.80 134.90 131.64 Futures - 132.09 133.86 131.38  Apr 47.42 47.50 47.  PORK BELLES 40,000 lbs; cents/  Close Previous High Jul 65.30 65.05 65.05 64.  Aug 61.25 63.10 64.  Feb 60.67 60.95 61.5		HEUT	ERS (Bas	E Septemb	or 18 193	1 = 100			52.37	52.80
1896.7 1897.5 1931.0 1998.7  DOW JONES (Base: Dec. 31 1976 = 100)  Jun 1 May 31 mnth ago yr ago  Spot - 133.80 134.90 131.64  Futures - 132.09 133.86 131.38  PORK BELLES 40.000 lbs; cents/  Close Previous Higg  Jul 65.30 63.10 64.  Feb 60.67 60.95 61.									50.32	50.55
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Basis 100 Govt. Sect 15/10/28, Fixed btt. 1528, Ordinary 17/785, Gold mines 12/9/55. Basis 100 FT-SE 100 31/12/63, > NRI 10.86

GILT EDGED ACTIVITY

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# ittle genuine investment support

E UK stock market eared only too willing yes-lay to extend last week's stantial advance, but early as were trimmed towards close as Wall Street made a w start to the new session. lier, London had responded fidently to the new peak thed in New York ahead of weekend but, with most opean markets closed, ad itself short of genuine

stment support. n advance of more than 16 SE points in the early part session was more than 'ed by the close of business. final reading saw the SE Index at 2,379.0, a net on the day of 7.6 points.

Account Dealing Outes That Distings: stay 29 Jan 11 Just 25 ' Jun 22 Jul 6 peent Dags Jun 18 Jul 2 Jul 16

Equity enthusiasm was checked by a weaker trend in sterling and by a less exciting performance from Gilts.
The day's Seaq volume held up well, at 430m shares against

499.3m on Friday. But intermarketmaker business played a significant role yesterday. However, statistics from the

**Brewers and Distillers** 

FT~A Index relative to the FT~A All~Share Index

International Stock Exchange show that daily customer busi-ness in the UK equity market was restored to the £1bn mark

over the past fortnight. Traders described trading yesterday as unexciting. Although there were plenty of speculative tales to keep the market on edge, there were few specific corporate developments to enliven share prices. But plans for a fibn merger of Willis Faber, Britain's second largest insurance broker, with Carroon & Black of the US, surprised the London market, although Faber shares gave ground in the face of the new stock to be issued for the deal.

Food retailing shares turned

down against the trend of the market, on reports that a major German retailer with interests in the UK was calling for a monopolies enquiry into competitive aspects of the industry.

But across the broad range of the market it was the lack of business that was the chief complaint of market traders. Marketmakers would have been happy to see prices give ground yesterday after the sharp rises of the last fortnight, but it was clear that fund managers were still unwilling to part with stock.

Reviews of the equity market by brokerage analysts remain relative favourable. At

FT-A All-Share Index

**Equity Shares Traded** 

Turnover by volume (million)

Apr

City of London. Up to half of UK plasterboard went into the commercial market and "real

pain" was expected in 1991, he

line of 4.1m Hazlewood Foods shares was on offer at 145p

from an agency broker left the price 7 lower at 152p. Boots and WH Smith, both

rose firmly as they continued

negotiations over a merger of

their out-of-town do-it-yourself

chains. Boots rose 13 to 310p and Smith by 5 to 352p. The former was additionally helped by a weekend press story reviv-

ing hopes for Manoplax, the

Strong suggestions that a

1150

1100

400

200

Hoare Govett, Mr Richard Jeffrey said that overseas fund managers are taking a more sanguine view of the outlook for the UK economy, and that full participation in the Exchange Rate Mechanism of the EMS "would allow Continental institutions to buy into an internationally undervalued market" without too high a

currency risk. Mr Chris Dillow of Nomura earch Institute commented that impending data on UK manufacturers' investment intentions may show that cor-porate spending, like consumer spending, has remained resilent in the face of the monetary sonecze.

Light early buying uncovered a stock shortage in Pearson, and the shares rose 24 to

The possibility that Rank Leisure might be referred to the Monopolies and Mergers Commission helped the former recover 28 to 831p while the

Shell 8 off at 467p and Burmak

week's sustained rise with an early speculative flurry in ottish & Newcastle. Weekend press reports that a brewing industry executive was preparing a bid initially pushed

NEW HIGHS (108).
RRITISH PURIOS (6) AMERICANS (8) BANKS
(9) STOWERS (2) BUILDINGS (8) CHEMICAI
(9) STOWERS (2) BUILDINGS (8) CHEMICAI
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27 -7 769p, but 4 below the day's peak.

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Ordinary Share

FT-SE 100 Share

Ord. Div. Yield

Earning Yid %(full) P/E Ratio(Net)(☆)

SEAQ Bargns 4.45pm Equity Turnover(1m)† Equity Sergains† Shares Traded (mi)†

FT-SE, Hourly changes

Ordinary Share Index, Hourly d

latter lost 2 to 86½p. Enterprise Oil gave up some of last week's gains achieved on bid talk. The shares shed 17 to 648p, but trading volume was sharply lower. Continued weakness in the crude oil price hit second line exploration stocks. Cairn Energy eased 3 to 307p, Goal Petroleum lost 4 to 91p, Premier Consolidated retrested 2 to 95p Some lead. retreated 2 to 96p. Some leaders also felt the pinch, with

3 cheaper at 639p.
Weekend press comment
that BAA, formerly British Airports Authority, was a low-risk company with stake-building potential helped it to one of the best rises of the day among FT-SE stocks. The shares rose 10 to 228D. Brewers continued last

slid back to close at the day's low of 334p, a net decline of 6. British Aerospace shed 4 to close at 545p on a collection of niggling worries, including the outcome of the European Com-

**NEW HIGHS AND LOWS FOR 1990** 

THERD MARKET (2).

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mission's deliberations on the

financial sweeteners the com-

FINANCIAL TIMES STOCK INDICES

1857.4

11.22 10.78

2379.0 2371.4 2345.1 2346.2 2295.6 2088.5

216.2 215.7

Day's High 2387.8 Day's Low 2376.4

TRADING VOLUME IN MAJOR STOCKS

5.06 11.43 10.58

21.836 24.555

Day's Low 1890.6

78.31

87,45 87,28 87,27

4.99 11,21 10,78

31,605 32,914 30,637 966,20 1039,50 1079,14

anges Day's High 1900.2

Open 8 am 10 am 1897.2 1893.5 1898.8 11 am 1897.0 12 pm 1 pm 2 pm 1897.4 1896.6 1893.7

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31,402

High

(6/2)

519 + ND

the price to 360p, but analysts poured cold water on the notion. "The chances of this pany received when taking on board Rover Group. bid going ahead are very slim," said Mr Mike McCarthy of The shares were also Smith New Court. The share affected by a bearish newspaper report about the cost of the Airbus consortium and by a lack of short-term enthusiasm for its purchase of a majority stake in Satellite Management

Bessed on trading volume for most Alpha securities deaft through the SEAQ system yesterday until 4.30pm

interest in Rolls-Royce was stimulated by its "Japanese roadshows," following similar presentations in the US. The shares gained 5½ to 229%p on

International, a satellite televi-

good volume. Financial stocks remained firm in a market still devoid of sellers. Although Friday's take-over stories had died away,

there was still support for

Lloyds, several pence higher at 309p, and Barclays (410p) also found buyers. Despite suggestions that further profits down-gradings by London brokerage Midland gained 5 to 300p. Persistent suggestions that TSB may be a break-up candidate did the shares no harm at 142p.

More gloom about pollution, the odd jitter over political instability and a slightly cooler view of some prospective fig-ures sent several water stocks lower. The worst affected were Anglian, South West and York-shire each shedding 3 to 162p, 166p and 164p respectively.

■ Other Market statistics, including the FT-Actuaries share index, Page 30

### **00d** etailers )Wer

so led the food retailers ply lower in the afternoon be wake of a trade maga-report that Aldi, the West nan supermarket chain h recently set up its first in the UK, had asked the e of Fair Trading to invese possible anti-competitive rities among sector leaders. plume swelled to 10m es and Tesco fell 12 at one t as analysts tried to conthe story. Mr Bill Myers. enderson Crosthwaite, said Oliminate there had been informal lacts between Aldi and the but that it was "very days and the price reacis overdone." Tesco eveny recovered half its loss to a net 6 off at 2230.

> sbury fell 4 to 290p after and Argyll closed at 234p, 16, after 228p. They turned 2.4m and a busy 8.8m

#### llis Faber down

urance broker Willis r fell quickly on news of verger with Corroon and :, its US counterpart. Anasaid the company would r some short-term diluabout 10 per cent, of earn-They said that the likely g of Willis' relationship another US broker, Johnliggins, might reduce its

#### her food retailers were caught in the decline. it gained ground through Corroon. Thirdly, Corroon share-holders who received Willis paper might not want to keep it. Willis recovered from a low of 262½p to close at 265p, down

**INANCIAL TIMES CONFERENCES** 

**PUBLISHING** 

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THE 90s

London, 12 & 13 June, 1990

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Deputy Chairman, The Daily Telegraph plc Chairman, Newspaper Publishers Association

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Pearson pic

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Mr Andrew Knight

Sir Frank Rogers

Mr Jim Warrillow

Maclean Hunter Limited

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Senior Fellow

The European

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G&Joithe UK

Director & Founder, Newspaper Publishing PLC

Chairman, President & Chief Executive Officer

104

103

Other insurance brokers had a good day on hopes that any US business lost by Willis might come their way. Sedg-wick added 5 at 266 and C.E. Heath jumped 17 to 552p. An intensification of the price war between plasterboard makers lay behind BPB's fall of 10 to 234p. BPB, which is competing for market share

#### followed up a 10 per cent price cut in December with the offer level of US business faster than of a 12 per cent discount on standard products. As a result, UBS Phillips & Drew has downgraded its pretax profit forecast for RPR from £130m to £125m in the

current year. This compared with an expected £135m for the year to March, for which figures are due later this month. Howard Seymour, an analyst with UBS, said BPB was beginning to lose market share to its two rivals and was cutting prices to try to claw it back. The action comes against a background of slackening demand from commercial builders, particularly in the against Redland and the West German company Knauf, has

## company's heart drug, cur-rently under research.

APPOINTMENTS

#### York Trailer chairman



Dr John A. Roberts (pictured) has been appointed chairman of YORK TRAILER HOLDINGS, following the retirement of Mr Peter Tahany. Dr Roberts was chief executive of Ruberoid, and is

on several other boards.

■ OUR PRICE has made the cllowing board appointments: Mr Jeremy Collingwood becomes operations director; Mr Philip Downer has been made staff and training director and Mr Pete Kerr has been appointed development

■ IVECO FORD TRUCK, the UK commercial vehicle manufacturer, has formed a new operation, Aftersales, to combine the parts operations and service activities within the company's commercial operations function. Overall responsibility for the operation will be assumed by Mr Gerry Brown, who has returned to the UK following an assignment as managing director of Iveco Sweden.

METCOM, the Mechanical and Metal Trades Confederation, has appointed Mr Mark Symons as deputy director of its London region. He was general secretary of the Federation of Fresh Meat Wholesalers.

■ CHAUCER ESTATES has appointed Mr Tony Vice as a non-executive director. He is a director of N.M. Rothschild & Sons, and other companies.

BROWN, SHIPLEY & CO has appointed Mr Peter Shand as director of information technology. He has been responsible for the computer systems since 1971.

■ At NISSAN MOTOR MANUFACTURING (UK) Mr Keith Jones has been promoted from general manager - quality assurance to quality director; and Mr Les Nicholls from

deputy to engineering director. Mr Bob Hampson becomes He was purchasing manager.

🖪 GERRARD VIVIAN GRAY, stockbroking subsidiary of Gerrard & National, has appointed as associate directors Mr Nigel Sidebottom, Mr Robin Bonham-Carter, Ms Jenny Hume (also appointed finance director of Venturi Investment Manager Mr Julian Stanford. neni), and

■ Mr David Mattin has joined SEVERN TRENT as company secretary. He was group secretary of Foseco.

Mr Alan Hindley has been appointed general manager of CABLE TELECOM, part of Windsor Cable. He was marketing director of Tektronix UK.

■ Mr Martin Weir has been appointed to the new post of deputy general manager of the SCOTTISH CO-OP, retail arm of the CWS north of the border. He was the society's national

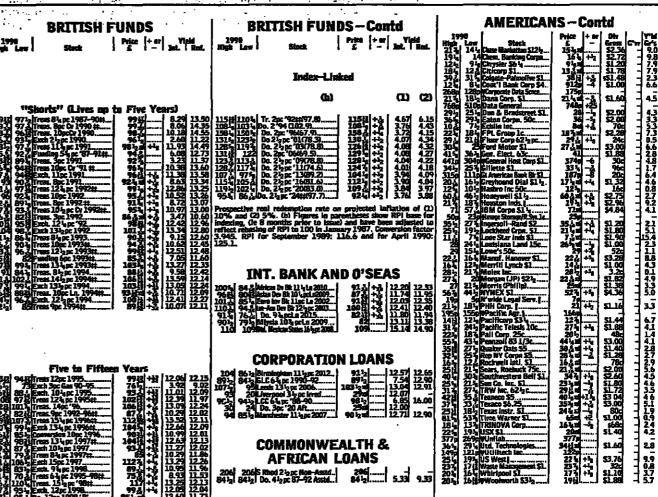
■ MOTHERWELL BRIDGE

HOLDINGS has appointed as a non-executive director Mr Duncan J. MacLeod, who was managing partner with Ernst & Whinney, Glasgow, is chairman of the Scottish Industrial Development Advisory Board, and is a director of Bank of Scotland Scottish Provident Institution, The Weir Group and other companies. Sir Gordon Manzie, who recently retired as chief executive of the Property Services Agency, becomes a non-executive director of Motherwell later this year.



Mr David Livermore (pictured) has been appointed non-executive director TRIPLEX LLOYD. He is director of corporate services at IBM United Kingdom

#### LONDON SHARE SERVICE



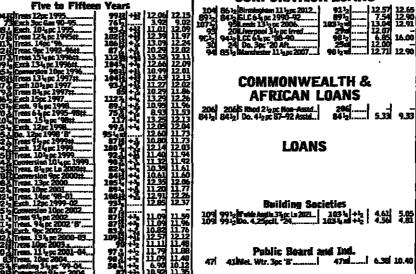
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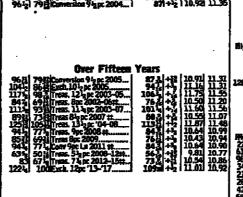
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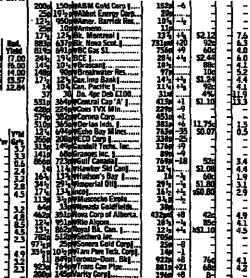
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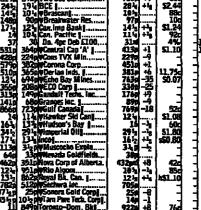






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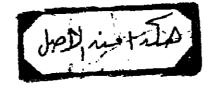
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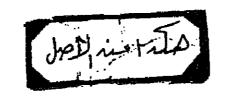
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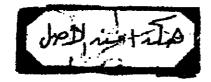
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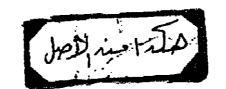
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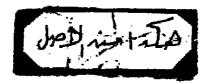
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Quality PROMOTIONAL GIFTS

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#### **CURRENCIES, MONEY AND CAPITAL MARKETS**

LIFFE LONG GILT FUTURES OPTIONS 130,000 64th of 100%

FINANCIAL FUTURES AND OPTIONS

FOREIGN EXCHANGES

## D-Mark under a shadow

THE ISSUE of German reunification tended to domi-nate a quiet day on the foreign exchanges yesterday. Trading was limited by the closure of many European centres for the Whitsun holiday.

US President George Bush and Mr Mikhail Gorbachev, President of the Soviet Union. failed to agree about the future of a united Germany as a member of Nato at their recent summit meeting. This coupled with uncertainty about the inflationary implications of German monetary union, set for the beginning of next month, weighed on the D-Mark, dragging the currency down against the dollar and against members of the Euro-

pean Monetary System.

Dealers said there was no strong economic reason to buy the dollar, but the US currency moved higher as a safe haven at a time of nervousness about political developments in Europe. However, it finished well below the day's highs. At the close of trading in London the dollar had climbed

to DM1.6935 from DM1.6930; to SFr1.4385 from SFr1.4355; and Y152.60 from Y151.30, but had fallen to FFr5.7025 from FFr5.7150. On Bank of England figures the dollar's index rose to 67.9 from 67.5. A rise of £65m in UK official

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June 4	Litet	Previous Close	
E Spet E menth 3 mombs 12 menths	1 7775 - 1 7785 0 90 - 0 89pm 2 61 - 2 50cm 9 10 - 9 00pm	1 6805-1 6815 0 94-0 93pm 2 80-2 77pm 9,40-9 33pm	
Forward premiums and discounts apply to the US dollar STERLING INDEX			

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CURRENCY RATES			

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**CUPRENCY MOVEMENTS** 

June.4	England Inters	Gearanty Charges **
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Canadian Bellar _	1036	+0.4
Austrian Schilling i	1094	+114
Belgian Franc	iiii	-24
Danish Krene	1102	-44
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	OTHER CURRENCIES		
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**MONEY MARKETS** 

A slightly softer tone to London interest rates was evi-

dent again yesterday, but trad-ing was quiet with dealers not

expecting any change in bank base rates for the foreseeable

future. Three-month sterling interbank cased to 151 - 154 per cent from 154-154 and 12-month money declined to 15-

14 a per cent from 15%-14%. There was no reaction to a fall

of \$200m in new consumer

credit leading in April or to a

UK elearing bank base lending rate

15 per cent from October 5

small rise in UK official

Short sterling futures also

traded quietly on Liffe. September delivery opened lower at \$5.37, and drifted down to close at \$5.34,

compared with \$5.39 on Friday.

shortage of day-to-day credit on the money market. The

Bank of England initially

forecast a shortage of £1,400m,

but revised this to £1,350m in

the afternoon. Total assistance

of £1,204m was provided.

An early round of help was

offered, and at that time the

authorities bought 2511m bills

outright, including £43m bank

There was another large

reserves.

London rates ease

reserves last month had no impact on sterling. The increase was lower than most City forecasts, ranging from £70m to £300m, but the pound's decline appeared to be largely technical, reflecting fading hopes of an early British move to enter the European Monetary System Exchange Rate

Mechanism. The pound had fallen 90 points to \$1.6755 by the close of trading in London. It also declined to DM2.8375 from DM2.8525; to FFr9.5550 from FFr9.6275; to SFr2.4100 from SFr2.4175, but advanced to Y255.75 from Y254.75. Accordsterling's index fell 0.2 to 88.9.
Within the EMS the Italian lira remained firm. Milan was

FFr282m as the franc was fixed at its floor of L218.13, but at the finish of trading in London the French currency had improved to L218.20 from L218.15 on Friday. At the Milan fixing the Italian central bank also bought DM138m to stem the lira's advance.

The D-Mark lost ground to the lira, falling to L734.70 from L736.40, and to the French franc, declining to FFr3.3670 from FFr3.3755 at the London close. On the other hand the West German currency rose to Y90.10 from Y89.35 in terms of the yen.

Average rates against the dollar in May were: sterling \$1.6771; D-Mark DM1.6640; Japanese yen Y153.8 franc SFr1.4197; and franc FFr5.6016.

	s index fell in the EMS		\$1.6771	.; D-l		M1.6640;	LON	IDON (LIF	FE)		
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italian Lira Belgian Franc	<u>약경</u> ~성	邦第	56-58   31	Fil I	91-91	74-74	Sep	83.54 83.41	83.65 83.24	83.26 83.24	
Yen	] 10 <b>∖</b> –10%	101-104 84-84	912 911 91 712-713 71 105-105 101 812-82 81	-10 <sup>1</sup> 2	154-154 84-84 134-134 84-84 813-84 104-10 117-1117 94-94 74-77 102-104 84-84	73 <u>-</u> 74 102-102 82-82	Estima	ted volume 103	359 (4638	40	
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US Canada Netherlands Belgken Denmark Ireland W Germany Portugal	1 6675 - 1 6770 1 9625 - 1 97745 3 19 - 3 21 58 35 - 58 70 10 80 \ - 10 85 \-2 1 0580 - 1 0700 2 83 \ - 2 85 2 49 10 - 250 55	1.6750 - 1 6760 1.9730 - 1.9730 3 19 - 3 20 58 45 - 58.55 10.82 4 - 10.83 4	0 94-0.92cpm 0.24-0.17cpm 13-14cpm 31-19cpm 43-33crepm	6.66 1.25 6.79 5.12 4.84 4.81	279-27/ 0.72-0.6: 53-54 85-6: 13-114	p.a. ipm 6.62 ipm 6.60 ipm 5.60 ipm 4.50 ipm 4.50	Estimat Previous THREE 6500,01	s day's open in ASSNYH STER 00 points of 11 Close 84.93 85.34	LING BB% High 84.94 85.40	Low 84.91 85.31	_
US Canada Netherlands Belgkyn Denmark Ireland W. Germany Portugal Sogin	1 6675 - 1 6770 1 9625 - 1 9745 3 19 - 3 21 58 35 - 58 70 10 804 - 10 85½ 1 0580 - 1 0700 2 80½ - 2 85 2 49 10 - 250 55 175 25 - 176 15	1.6750 - 1.6760 1.9720 - 1.9730 319 - 3.20 58 45 - 58.55 10.82% - 10.83% 1.0600 - 1.6610 2.83% - 2.94 249.25 - 250.25	0 94-0.92cpm 0.24-0.17cpm 15-14cpm 31-19cpm 45-35prepm 0.45-0.40cpm 15-15prepm 7-12cdis	6.66 1.25 6.79 5.12 4.84 4.81 6.59 -0.46 9.72	279-27- 0.72-0.6- 51-51- 85-6- 13-11- 1.20-1.11- 47-43- 39-2-	9.8. 1.35	Estimat Previous THREE 6500,01	2 day's open in 2 day's open in 2 days of 10 2 days of 10 2 days 2 days	1.052 0 1.052 0 1.056 88% High 84.94 85.40 86.13	Low 84.91 85.31 86.04 86.74	
US Canada Retherlands Belghan Denmark Ireland W Germany Portugal Spain Haly	1 6675 - 1 6770 1 9625 - 1 9745 3 19 - 3 21 58 35 - 58 70 10 804 - 10 85½ 1 0580 - 1 0700 2 80½ - 2 85 2 49 10 - 250 55 175 25 - 176 15	1.6750 - 1.6760 1.9720 - 1.9730 319 - 3.20 58 45 - 58.55 10.82% - 10.83% 1.0600 - 1.6610 2.83% - 2.94 249.25 - 250.25	0 94-0.92cm 0 24-0.17cpm 1 3-1 3cpm 33-19crtm 0 45-0.40cpm 1 3-1 3cptm 7-12clk 14-7cpm 6-4-9 Hrspa 33-3crsm	6.66 1.25 6.79 5.12 4.84 4.81 6.59 -0.46 0.72 3.01 3.71	279-27/ 0.72-0.6: 53-54: 85-6: 13-114 1.20-1.11 42-44: 35-6: 39-2: 184-1:	9.a. 1.35 pm 6.60 1.35 pm 6.60 pm 4.50 pm 4.50 pm 4.34 pm 6.76 9.90 0.77 9.90 3.39 3.39	Estimat Previous THREE 6500,81 Jun Sep Dec Mar Jun	2 day's open in 2 day's open in 2 days of 10 2 days of 10 2 days 2 days	1.052 0 1.06 88% High 84.44 85.40 86.13 86.82 87.38	Low 84.91 85.31 86.04 86.74	
US Canada Netherlands Relgiand Desmark Ireland W. Germany Portugal Spale	1 6675 - 1 6770 1.%25 - 1 9765 3 19 - 3 21 58 35 - 58 76 10 804 - 10 859 1 0580 - 1 0700 2 834 - 2 85 2 9 10 - 2 50 55 175 25 - 176 15 10 904 - 10 . 951 9 55 - 9.601 10 34 - 10 . 29	1.6750 - 1.6760 1.9723 - 1.9730 3.19 - 3.20 58.45 - 58.55 10.82 \( \) - 10.83 \( \) 1.0600 - 1.0610 2.83 \( \) - 2.84 249.25 - 250 25 175.90 - 175.80 2084 \( \) - 2085 \( \) 1.0 92 \( \) - 1.0 93 \( \) 1.0 25 \( \) - 10 28 \( \)	0 94-0.92cm 0 24-0.17cpm 1 3-1 3cpm 33-19crtm 0 45-0.40cpm 1 3-1 3cptm 7-12clk 14-7cpm 6-4-9 Hrspa 33-3crsm	6.66 1.25 6.79 5.12 4.84 4.81 6.59 -0.46 0.72 3.01 3.71	279-27/ 0.72-0.6: 53-54: 85-6: 13-114 1.20-1.11 42-44: 35-6: 39-2: 184-1:	9.a. 1.35 pm 6.60 1.35 pm 6.60 pm 4.50 pm 4.50 pm 4.34 pm 6.76 9.90 0.77 9.90 3.39 3.39	Estimat Previous THREE 6500,01 Sep Dec Mar Jan Sep Dec	s day's open in 8090771 STER 00 points of 11 Close 84.93 85.34 86.07 86.74 87.30 87.78 88.04	1.1052 0 1.106 84.94 85.40 86.13 86.82 87.81 88.09	1.00 84.91 85.31 86.04 86.74 87.75 68.06	
US Canada Richarlands Richarlands Belgkyn Denmark Ireland W. Germany Portugal Spala Korner France Sweden Japan	1 6675 - 1 6770 1 4625 - 1 9732 3 19 3 21 58 35 - 58 70 10 804 - 10 855 10 805 - 1 0 850 2 855 - 2 85 2 9 10 - 250 - 55 175 225 - 176 15 2 0 944 - 10 - 55 10 904 - 10 . 55 10 904 - 10 . 29 2 55 - 256 4	1.6750 - 1.6760 1.9720 - 1.9730 3.19 - 3.20 58 45 - 58.55 10.824 - 10.834 1.0600 - 1.0610 2.834 - 2.94 247 25 - 250 25 175 50 - 175 80 20844 - 20854 10.924 - 10.934 9.55 - 9.56 10.254 - 10.264 2254 - 2554	0 94-0.92cm 0 24-0.17cpm 1 3-1 3cpm 33-19crtm 0 45-0.40cpm 1 3-1 3cptm 7-12clk 14-7cpm 6-4-9 Hrspa 33-3crsm	6.66 1.25 6.79 5.12 4.84 4.81 6.59 -0.46 0.72 3.01 3.71	279-27 0.72-0.6 59-54 85-6 13-11 1.29-1.11 25-6 39-2 1.81-11 1.91-12 1.91-12 61-51	9.a. 6.62 pm 6.60 pm 6.60 pm 5.19 pm 4.50 pm 6.76 sp 5.19 pm 6.76 sp 5.19 pm 6.76 sp 5.19 pm 6.76 pm 6.76 pm 6.76 pm 6.77 pm 6.76 pm 6.77 pm 7.75 pm 7	Estimat Previous THREE 6590,84 Sep Dec Mar Jun Sep	atourys open in atourys STER 00 points of 10 Cose 84.93 85.34 86.74 87.78	High 84.94 85.40 86.13 86.32 87.38	Low 84.91 85.31 86.04 86.74 87.75	
US Canada	1 6675 - 1 6770 1.%25 - 1 9765 3 19 - 3 21 58 35 - 58 76 10 804 - 10 859 1 0580 - 1 0700 2 834 - 2 85 2 9 10 - 2 50 55 175 25 - 176 15 10 904 - 10 . 951 9 55 - 9.601 10 34 - 10 . 29	1.6750 - 1.6760 1.9723 - 1.9730 3.19 - 3.20 58.45 - 58.55 10.82 \( \) - 10.83 \( \) 1.0600 - 1.0610 2.83 \( \) - 2.84 249.25 - 250 25 175.90 - 175.80 2084 \( \) - 2085 \( \) 1.0 92 \( \) - 1.0 93 \( \) 1.0 25 \( \) - 10 28 \( \)	0 94-0.92cm 0.24-0.17cm 13-14cm 33-19cm 0.45-0.40cm 15-13cm 14-7cm 6-43-16cm 4-3-3cm 4-3-3cm	6.66 1.25 6.79 5.12 4.84 4.81 6.59 -0.46 0.72 3.01 3.71	279-27/ 0.72-0.6: 53-54: 85-6: 13-114 1.20-1.11 42-44: 35-6: 39-2: 184-1:	P.A.  1.35	Estinati Previous THRESE 6500,81 Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar	s day's open in 8090771 STER 00 points of 11 Close 84.93 85.34 86.07 86.74 87.30 87.78 88.04	High 84.94 85.40 86.13 86.82 87.81 88.09 88.11	1.5w 84.91 85.31 86.04 86.74 87.75 88.06 88.09	3D
US Canada Rether lands Rether lands Rether lands Resigner Denmark Ireland W Germany Portugal Spalin Rether Rether Japan Austria Sweden Land Austria Secturalad ECU	1 6675 - 1 6770 1 4625 - 1 9735 3 19 3 21 58 35 58 70 1 0580 - 1 0700 2 834 - 2 85 2 49 10 - 250 55 2 10 54 10 - 250 55 2 10 904 - 10 95 10 904 - 10 95 10 904 - 10 25 2 55 - 254 2 95 - 2065 2 404 - 2 415 1 1 170 - 1 381 1 1 170 - 1 381 1 1 170 - 1 381 1 1 1 151	1.6750 1 6760 1.7730 1 10730 119 1 320 58 45 - 58.55 10.524 - 10.534 10.600 1.66.00 2.834 - 2.90 25 17 50 175 90 20844 - 20854 10 724 1.00 74 9 55 - 9 56 10 724 1.00 74 10 759 19 9 10 75	0 94-0 92cm 0 24-0 17cm 13-19cm 31-19cm 0-5-0 40pm 14-703m 14-7cm 43-3cm 43-3cm 19-2cm 12-12dk 14-7cm 12-2cm 12-12dk 14-7cm 12-12dk 14-7cm 12-12dk 14-7cm 12-12dk 14-7cm 12-12dk 14-7cm 12-12dk 12dk 12dk 12dk 12dk 12dk 12dk 12dk	6.66 1.25 6.79 5.124 4.81 6.59 9.72 3.01 3.73 6.63 7.36 5.92 4.81	2 79-2 7 0.72-0.6 54-54 85-6 13-111 120-111 47-44 55-6 39-2 184-13 194-93 12-114 64-53 54-33 35-34 35-34	P.A.  1.35	Estimate Previous THREE 6590,81 Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Dec Dec Dec Dec Dec Dec Dec Dec Dec Dec	S day's open in MONTH STER 00 points of 11 Case 54.93 85.34 86.07 86.77 87.30 87.78 88.04 88.04 88.05 10 Case figs. so s day's open in the start's	1.1052 0 1.1065 0 1.1066 184.94 185.13 186.82 17.38 187.81 188.09 181.11 14 showed 1 1. 172193	1.5w 84.91 85.31 86.04 86.74 87.75 88.06 88.09	30
US Canada Retherlands Belgiam Denmark Ireland Victoriam Spall Spall Spall Franci Franci Sweder Japan Austria Solterrand ECU 9.38-9.28cpm	1 6675 - 1 6770 1 4625 - 1 9735 3 19 3 21 58 35 58 70 1 0580 - 1 0700 2 834 - 2 85 3 49 10 - 250 55 2 10 580 - 1 0700 2 834 - 2 255 2 40 10 - 250 55 10 904 - 10 0.55 9 55 - 2564 9 55 - 2564 1 0 24 15 2 10 24 15 2 10 25 - 2564 2 10 25 - 2564 2 10 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	1.6750 - 1.6760 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.973 -	0 94-0 92com 0 24-0 17cps 1 3-1 4 cps 1 3-1 4 cps 1 3-1 4 cps 4 3-2 9 cps 1 3-2 5 cps 1 3-1 5 cps 6 4-9 1 cps 6 4-9 1 cps 3 4-3 cps 1 3-1 2 cps 1 2-1	0.66 1.25 6.79 5.12 4.81 6.59 0.72 3.01 3.01 3.01 3.01 4.93 2.63 6.59 4.81	279-27, 0,72-0,6 53,-51,-51,-51,-51,-51,-51,-51,-51,-51,-51	P.a.    P.a.   P	Estimate Previous Previous Solo, It Solo Dec Marr Solo Marr Est. Vol Previous TERREE	a day's open in  #001711 STER 00 pulmts of 11  Close 84.93 85.34 86.07 86.74 87.30 87.78 88.04 88.04 88.05 1. Gac. Figs. so s day's open ha  #001711 EU100 facts of 100%	L 1052 0 LDNG 88% High 85.40 85.13 85.82 87.38 87.81 88.09 88.11 t stoned 1	Low 94,91 85,91 86,04 86,730 87,73 87,75 88,09 52,75 88,09 52,75 10,849,75	30
US Canada Retherlands Belgiam Denmark Ireland Victoriam Spall Spall Spall Franci Franci Sweder Japan Austria Solterrand ECU 9.38-9.28cpm	1 6675 - 1 6770 1 4025 - 1 9732 3 19 - 3 21 58 35 - 58 70 1 0 580 - 1 0750 2 680 - 1 0750 2 750	1.6750 - 1.6760 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.9773 - 1.973 -	0 94-0 92com 0 24-0 17cps 1 3-1 4 cps 1 3-1 4 cps 1 3-1 4 cps 4 3-2 9 cps 1 3-2 5 cps 1 3-1 5 cps 6 4-9 1 cps 6 4-9 1 cps 3 4-3 cps 1 3-1 2 cps 1 2-1	6.66 1.25 6.79 5.12 4.81 6.59 6.72 3.71 4.81 7.35 6.58 5.72 4.81	279-27 0.72-0.6 59-54 13-11 1.20-1.11 47-44 37-2 18-1-1 19-4-9 12-11-5 5-43 35-3 13-3 13-3 13-3 13-3 13-3 13-3 13-	p.a.  pm 6.62 pm 1.35 pm 6.60 pm 4.50 pm 4.50 pm 4.50 pm 4.50 pm 4.34 doing 6.76 pm 3.37 pm 3.360 pm 4.93 pm 4.93 pm 4.93 pm 4.93 pm 4.93 pm 6.94 pm 4.72 pm 12 mpnth	Estimate Previous THREE ESSO, No. 15 Dec Mar Jun Sep Dec Mar Sep Dec Mar State State Sep Dec TERREE State Sep Sep State Sep Sep State Sep Sep State Sep Sep Sep Sep Sep Sep Sep Sep Sep Se	s day's open in  #898778 STER 00 paints of 11  Close 84.93 85.93 85.94 86.97 86.77 86.74 87.30 87.78 88.04 88.04 88.05 1. Gac. figs. so s day's open in  #808078 EURO fields of 180% Close 91.69	L 1052 0 LING 88%. High 84.94 85.40 86.13 86.82 87.38 87.38 87.38 87.11 kt stoored 1 L 172193	1.08 84,91 85,91 86,74 87,30 87,75 88,06 88,09 52,99 (272 0.84,975)	31)
US Canada Nether Lands Selejaen Dermark Selejaen V. Germany Portugal Spall Spa	1 6675 - 1 6770 1 925 - 1 9752 3 19 - 3 21 58 35 - 58 70 10 894 - 10 855 1 0 805 - 1 0 700 2 853 - 255 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 9 10 - 250 2 10 9 10 - 20 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	1.6750 - 1.6760 1.4730 - 1.7730 119 - 3 20 58 45 - 59.55 10.525 - 10.525 10.525 - 10.525 10.525 - 20.52 10.525 - 20.52 10.525 - 20.52 10.525 - 10.525 10.525 - 10.525 10.525 - 10.555 10.525 - 10.555 10.525 - 10.555 10.525 - 10.555 10.525 - 10.555 10.555 - 10.555	0 94-0 92com 0 24-0 17cps 1 3-1 9cps 1 3-1 9cps 2 3-1 9cps 1 3-2 9cps 2 3-3 9cps 1 3-3 9cps 1 3-3 9cps 1 3-3 9cps 2 3-3 9	6.66 1.279 5.122 5.84 4.81 6.59 9-0.46 9.72 3.01 3.71 2.63 7.36 5.82 5.82 5.82	279-27, 0,72-0,6 53,-54,-54, 53,-24, 135,-34, 351,-36, 35	P. A. Spendard St.	Estimate Previous THREE ESSO, No. 15 Dec Mar Jun Sep Dec Mar Sep Dec Mar State State Sep Dec TERREE State Sep Sep State Sep Sep State Sep Sep State Sep Sep Sep Sep Sep Sep Sep Sep Sep Se	s day's open in  #898774 STER 00 pulmts of 11  Close 84.93 85.34 86.07 86.74 86.74 88.04 88.04 88.04 88.04 88.04 88.04 88.04 88.04 88.04 91.69 91.69 91.69 91.79	L 1052 0 LING 88% High 84,54 85,13 86,82 87,38 87,38 87,38 87,38 17,2193 t showed 1 L 172193	1.000 94.91. 95.31. 96.74 87.75 88.09 88.09 5299 (272) 0.84975)	31)
US Canada	1 6675 - 1 6770 1 9225 - 1 9732 3 19 - 3 21 58 35 - 58 70 10 804 - 10 854 1 10 804 - 10 854 1 10 804 - 10 854 1 10 904 - 10 954 9 255 - 2564 1 10 904 - 10 29 255 - 2564 1 19 90 - 20 2 404 - 2415 1 19 90 - 20 2 50	1.6750 - 1.6760 1.7730 - 1.7730 1.17730 1.17730 1.17730 1.17730 1.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 2.0525 1.0525 - 1.0525	0 94-0 92com 0 24-0 17cps 1 3-1 9cps 1 3-1 9cps 2 3-1 9cps 1 3-2 9cps 2 3-3 9cps 2 9	6.66 1.25 6.79 5.12 4.84 4.81 4.81 4.81 4.81 2.63 2.73 4.81 4.81 4.81 5.62 4.81	279-279-279-279-279-279-279-279-279-279-	P. A. C.	Estimate Previous TrinseE 6500,81 Jun 500 Dec Mar Jun 500 Harr Set Vol Previous State and Set	S day's open in 1800/73 STER 00 palets of 11 Close 84.93 85.93 85.74 86.07 88.04 87.30 87.78 88.04 87.30 87.78 88.04 87.30 87.78 99.05 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1	L 1052 0 LING 887% High 85.49 86.13 86.82 87.81 88.01 172199 98.11 High 91.71 91.61 91.61	1.00 94.91 35.31 36.04 86.74 87.75 88.09 92.75 12.09 91.69 91.69 91.69	31)
US Canada Net Let Land Let Land Jun 4  UK I Ireland Let Land .	1 6675 - 1 6770 1 4025 - 1 9732 3 19 - 3 21 58 35 - 58 70 1 0 580 - 1 0750 1 0 580 - 1 0750 2 834 - 2 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 250 - 55 2 9 10 - 25 2 9 10 - 25 2 9 10 - 2 9 10 2 9 10 -	1.6750 - 1.6760 1.9772 - 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9	0 94-0 92com 0 24-0 17cps 1 3-1 4 cps 1 3-1 9ccm 4 3-1 9ccm 1 3-1 9ccm 7-1 2cds 4-1 9ccm 2 3-3 9ccm 1 3-1 9ccm 2 3-3 9ccm 0 3-7 0 3-9ccm 0	6.66 1.25 6.79 5.124 4.81 4.59 -0.46 0.72 3.01 1.3,71 1.4,93 2.33 6.68 5.92 4.81	279-276 279-276 279-276 259-51 35-6 13-11 42-11 42-11 43-11 104-93 12-11 64-51 54-51	P. A. C.	Estimate Previous Previous Soo, III Jun Soo Dec Marr Jun Soo Dec Marr Jun Soo Dec Marr Soo Dec	S day's open in MONTH STER OF pales of 11 Close 84.93 85.93 85.74 86.07 88.04 87.30 87.78 88.04 89.08 1. Gac. Figs. se s day's open in MONTH EURO fels of 180% Close 91.69 91.77 91.60 91.42 91.36 91.21	L 1052 0 High 84.94 85.93 86.93 86.93 88.93 88.09 88.11 t stones 1 1.72193	1.000 94.91. 95.31. 96.74 87.75 88.09 88.09 5299 (272) 0.84975)	31)
US Canada  Net Der Lands  Net Der Lands  Sevision  Per Lands  Sevision  Soulia  Italy  Norway  France  Sevices  Japan  Asstria  Japan  DOLL  Jun 4  UK  UK  Irelands  Reberlands  Recherlands	1 6675 - 1 6770 1 4025 - 1 9762 3 19 3 21 58 35 58 70 1 0580 - 1 0750 1 0580 - 1 0750 2 834 - 255 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 250 2 910 - 250 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 3 955	1.6750 - 1.6760 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97220 -	0 94-0 92com 0 24-0 17cpa 1 3-1 4 cpa 1 3-1 9ccm 4 3-1 9ccm 1 3-1 9ccm 1 3-1 9ccm 3 4-3 9ccm 2 1-2 pcm 2 1-2 pcm 2 1-1 1 pcm 2 1-1 1 pcm 2 1 1-1 pcm 0 37-0 3-0 pcm 0 37-0 3-0 pcm 0 33-0 30cm 0 33-0	0.466 1.255 0.779 5.124 4.891 4.891 2.693 7.493	279-27, 278-28-56 279-27, 272-0.6 253-54 353-23 353-23 353-33	P. A. Company	Estimate Previous THREE ESSO, No. 15 Dec Mar Jun Sep Dec Mar Sep Dec Mar State State Sep Dec TERREE State Sep Sep State Sep Sep State Sep Sep State Sep Sep Sep Sep Sep Sep Sep Sep Sep Se	s day's open in #200778 STER 00 points of 11 Cone 84.93 85.93 85.93 85.74 87.93 88.04 88.04 88.08 1. One. Figs. see s day's open in #200778 EUF0 91.79 91.71 91.60 91.79	L 1052 0 LING 887% High 85.49 86.13 86.82 87.81 88.01 172199 98.11 High 91.71 91.61 91.61	1.00 94.91 35.31 36.04 86.74 87.75 88.09 92.75 12.09 91.69 91.69 91.69	31)
US Canada Netherlands Belgium Belgium Belgium Portugal W. Germany Portugal Spalla Spal	1 6675 - 1 6770 1 4025 - 1 9762 3 19 3 21 58 35 58 70 1 0580 - 1 0750 1 0580 - 1 0750 2 834 - 255 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 55 2 910 - 250 - 250 2 910 - 250 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 2 955 - 250 3 955	1.6750 - 1.6760 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97720 - 1.97220 -	0 94-0 92ccm 0 24-0.17cpm 174-14cpm 174-14cpm 174-15cpm	6.66 1.25 5.79 5.12 4.84 4.81 6.59 0.72 3.01 3.71 4.51 3.73 4.81 5.63 4.81 5.64 6.66 6.22 6.23 6.24 6.24 6.24 6.24 6.24 6.24 6.24 6.24	279-27, 278-28-56 279-27, 272-0.6 253-54 353-23 353-23 353-33	P. A. Company	Estimate Previous Previous Stock Andrews Suppose Mary Jun Suppose Mary Jun Suppose Stock Mary Jun Suppose Stock Mary Jun Suppose Mary Jun Supp	S day's open in 1808/78 STEP 00 points of 11 Cone 84.93 85.34 85.07 86.74 87.30 87.78 88.04 88.04 87.90 91.91 91.71 91.71 91.71 91.71 91.71 91.71 91.71 91.72 91.42 91.46 91.4	L 1052 0 108% 34,44 85,40 85,13 86,13 86,13 88,09 88,09 81,11 172193 1172193 1172193	1.000 84.91. 85.314 86.74 87.75 88.09 87.75 88.09 91.75 91.69 91.76 91.69 91.40 91.33	9999
US Canada  Net Der Lands  Net Der Lands  Sevision  Per Lands  Sevision  Soulia  Italy  Norway  France  Sevices  Japan  Asstria  Japan  DOLL  Jun 4  UK  UK  Irelands  Reberlands  Recherlands	1 6675 - 1 6770 1 925 - 1 976 3 19 - 3 21 58 35 - 58 70 10 80 - 1 0700 2 80 - 1 0700 2 80 - 1 0700 2 80 - 1 0700 2 80 - 1 0 0 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 0 0 2 80 - 2 1 0 2 80 - 2 1 0 2 80 - 2 1 0 2 80 - 2 1 0 2 80 - 2 1 0 2 80 - 2 1 0 2 80 - 2 1 1 700	1.6750 - 1.6760 1.9772 - 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9772 1.9	0 94-0 92com 0 24-0 17cpa 1 3-1 4 cpa 1 3-1 9ccm 4 3-1 9ccm 1 3-1 9ccm 1 3-1 9ccm 3 4-3 9ccm 2 1-2 pcm 2 1-2 pcm 2 1-1 1 pcm 2 1-1 1 pcm 2 1 1-1 pcm 0 37-0 3-0 pcm 0 37-0 3-0 pcm 0 33-0 30cm 0 33-0	0.466 1.255 0.779 5.124 4.891 4.891 2.693 7.493	279-27, 279-27, 279-27, 279-27, 279-27, 279-28, 299-29	P.A.    P.A.   P	Estimate Previous Previous Stock Andrews Suppose Mary Jun Suppose Mary Jun Suppose Stock Mary Jun Suppose Stock Mary Jun Suppose Mary Jun Supp	S day's open in 1809/73 STER 00 points of 11 Close 84.93 85.93 85.93 85.74 86.77 88.04 87.30 87.78 88.04 89.08 1. Gaz. figs. sport in 1809/6 1909/6 1	L 1052 0 108% 34,44 85,40 85,13 86,13 86,13 88,09 88,09 81,11 172193 1172193 1172193	1.000 84.91. 85.314 86.74 87.75 88.09 87.75 88.09 91.75 91.69 91.76 91.69 91.40 91.33	9999

Estimated volume 27 (215) Provious day's open lat, 3786 (3792)

OUKA-S (FOREIGN EXCILATION

BANK-STERLING SE per S

1-mth, 3-mth, 6-mth, 12-erth, 1,6663 1,6478 1,6227 1,5822

8.00 9.50

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bills were bought outright, by way of £14m bank bills in band

1 at 14 per cent, and £226m bank bills in band 2 at 14 per

cent. In the afternoon the Bank of England purchased £68m bills, via £4m Treasury bills in

band 1 at 14's per cent; £37m bank bills in band 1 at 14's per

cent; and £27m bank bills in band 2 at 14; per cent. Late

assistance of around £285m

the assumed target level of 81/4

per cent. The Fed was expected

to provide funds, although dealers thought this would be

done through the less

aggressive method of customer

Bills maturing in official

was also provided.

bills, in band 2 at 14% per cent. repurchase agreements, but it Another 2568m bills were was not regarded as a change

purchased for resale to the in monetary policy.

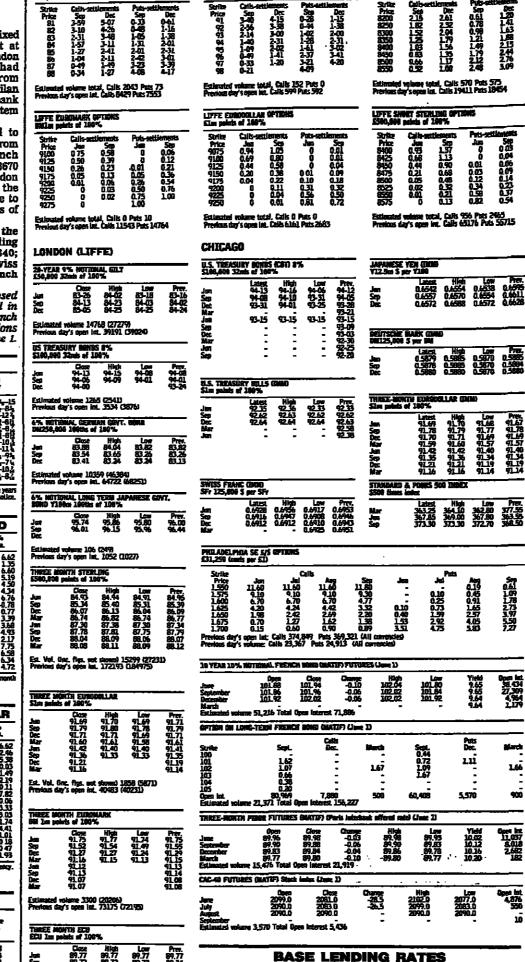
## Latest High Low Prev. 16642 16664 16630 16762 16366 16416 16366 16490 16124 16124 16124 16240 FT LONDON INTERBANK FIXING

otter 8% The fixing rates are the arithmetic means rounded to the negetst one-states th, of the hid and offered rates for \$10m stored to the market by five reference basis at \$1.00 a.m. each worklass day. The basis are Matilanal Westmissier Bank, Bank of Totyo, Destructive Bank, Bank of Totyo, Destructive Bank, Bank of Totyo, Totyo Bank, Bank of Totyo, Totyo Bank, Bank of Totyo, Destructive Bank, Bank of Bank, Bank of Bank, Bank of Bank, Bank of Bank, market in equal amounts on June 11 and 12 at a rate of 1413 MONEY DATES Before lunch a further \$240m

		IUNE	r nai	EJ	
NEW YORK			Treasur	g Bills and	Bonds
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hands, repayment of late	Oubtin					•	
assistance and a take-up of Treasury bills drained £1,658m, with the unwinding of	L	ONDO	N MC	NEY	RATE	S	
repurchase agreements on bills absorbing £668m. These	Jun 4	Overnight	7 days notice	Oce Month	Three Months	Siv Months	One Year
outweighed Exchequer transactions adding \$210m to liquidity, a fall in the note circulation of \$550m, and bank balances above target of \$30m. In New York the Federal Reserve added temporary liquidity to the banking system, via three-day system repurchase agreements, when	Interhank Offer Interhank Bid Sterling CDs Local Authority Deps Local Authority Bonds Discount Mit Des Company Opposits Finance House Deposits Freaker Bills (Bay) Bank Bills (Bay) Deliar CDs. SDR Linked Dep Offer SDR Uniked Dep Bid LEGU Linked Dep Offer SDR Linked Lin	1512	154	154 155 145 145 145 145 188 188 188 188 188 188 188 188 188 18	15515 41114418 9 810	155-15-1 155-15-1 155-15-1 144-15-15-1 144-15-15-15-15-15-15-15-15-15-15-15-15-15-	15 14 14 5 14 14 5 14 5 14 14 15 14 16 16 16 16 16 16 16 16 16 16 16 16 16
Federal funds were trading at	ECU Linked Dep 810	- !	-	913	10%	107	1012

Treasury Bills (sell): one-month 1431 per cent; three months 1445 per cent; Bank Bills (sell): one-month 1431 per cent; three months 1445 per cent; three months 1450 per cent; 1400 per cent days 1, 1990 per cent; 1400 per cent days 1, 1990 per cent; 15 91 per cent and per cent days 1, 1990 per cent; 15 91 per cent days 1, 1990 per cent; 15 91 per cent;



		%		%	*
	ABM Bask	15	Coutts & Co	15	Hat Westerlinster
	Adam & Company	15	Cypres Popelar Bk	15	Florthers Bank Ltd
	Allied Trast Bank	15	Danker Bank PLC	Ī5	Nykredit Martgage Bank 15½
	Allied Irish Bank	15	Dencan Lawrie		Provincial Sank PLC 16
	Henry Ausbacher	15	Ecuatorial Bank pic	15	Roobsryke Grantee 15%
	Associates Cap Corp	15%	Exeler Frest Ltd		Reyal Bik of Scotland 15
	B & C Merchant Bank	15	Financial & Gen. Bank		Royal Trust Bank
_	Basts of Baroda		First National Bank Pic.		
	Banco Bilkao Vizzaya		Robert Flemins & Co	ī5°	Standard Chartered
	Bank Credit & Comm		Robert Fraser & Plans		TSB 15
	Bank of Copins		Gárobaek	15	thelbank pic
	Bank of Ireland	15	● Guinness Mahor	15	● United 8k of Kowait 15
	Bank of India	15	HFC Bank plc		United Mizzahl Bank 15
	Bank of Scotland	15	Hambros Bank		Unity Trest Bank Plc 15
	Banque Belge Lid	15	Hampshire Trust Ptc		Western Trust
	Barclays Bank	Ī5	Heritable & Gen Let Bok .		Westpac Bank Corp 15
	Benchmark Bank PLC	15	Hill Same!		Waiterway Laidlaw 151 <sub>2</sub>
	Brit 6k of Mid East	15	C. Heare & Co	75	Yorkshire Bank15
	Brown Shipler	15	Hengloss & Stands	15	(
	Brown Shipley	15	● Leopold Joseph & Sees	15	<ul> <li>Members of British Members.</li> </ul>
	Charterhouse Back	15	Lionis Back	Ī5	Banking & Securities Houses
	Citibant NA	15	Meghral Bask Ltd		Association. * Deposit now 5.9%
	City Merchants Bank	15	McDampell Dauglas Bak.		Savewise 8.5%. Top Tier-£50,000+
	Chydesdale Bank	15	Midland Bank	15	instant access 13.7% & Mortrage
	Comm. Bk. M. East		Mount Basking	15	base rate. § Destrand deposit, 9%.
	Co-operative Bank	*16	Rat Bit. of Kewait		Mortgage 15.2% - 15.95%
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SPONSORED SECURITIES

ن خوا	ĊW.	Correlaty	Price	Chatoge	Gross div (p)	Yield %	P/E
343	290	Ass, Brit. led. Ordinary	290	0	10.3	3.6	7.8
38	19	Armitage and Rhodes	25	ŏ		~	
210 .	135	Bardon Group (SE)	146	Ó	4.3	2.9	14.2
25	96	Bardon Group Cr Prof (SE)	96	ŏ	6.7	7.0	
123	74	Bras Technologies	77	-1	5.9	7.7	6.8
110	82	Brembill Cost. Pref	82	ō	11.0	13.4	
315	285	CCL Group Ordinary	310x4	ō	18.7	6.0	2.4
176	163	CCL Group 11% Cosy, Pref	163	ō	14.7	9.D	
225	140	Carbo Pic ISE	210 <del>m</del>	ā	7.6	3.6	12.4
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7.5 0	125	*Magnet Gp Non-VotingA Cov	0.125	ă			
5 0	.125	"Magnet Gp Non-Voting& Cry	0.125	ō			
136	80	Isis Group	80	ō	8.0	10.0	4.6
145	58	Jackson Group (SE)	108zd	ō	3.6		12.6
340 3	243	Multibouse NY (AmstSE)	330	ō			
158	98	Robert Jeskies	135	ō	10.0	7.4	4.9
467	334	Scruttors	334	-3	20.0	6.0	9.3
	106	Unistrut Europe Com Pref	160mj	ŏ	9.3	5.8	
395	245	Veterinary Drag Co. PLC	246	0	22.0	8.9	6.6
375	278	W.S Yestes	375	+3	16.2		31.3

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ROCKHAVEN BUILDERS LIMITED AN LIQUIDATION

in accordance way ruse a lub of the mea-vency Rules 1986, notice is hereby given that I was appointed Liquidateor of the above company by the creditors on 21 May 1990. NOTICE IS HEREBY GIVEN that I, RONALD PETER GRANT of LAWRENCE GRANT, 37 Stanmore Hill. Stanmore, Middlesox was appointed Liquidator of the said Company of

Notice is also hereby given that the creditors to the above-named company, are required, or or before 2 July 1990 to send their fail Christian and sumames, their addresses and descriptions, and full particulars of their debte or claims to the undersigned, Ronald Peter Grant of Lawrence Grant, 37 Stammore Hill, Stammore, Middlesse, HA7 205, the Liquidator of the said Comapny, and, if so required in writing from the said Liquidator, are personally, or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be such notice, or in detault thereof they will be

Dated 21 May 1980

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> pages please ring Julia Carrick 071-873 3176

No. 002362 of 1596 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT MR. JUSTICE VINELOTT IN THE MATTER OF TENBY INDUSTRIES LIMITED IN THE MATTER OF THE COMPANIES ACT 1985 MOTICE IS HEREET GIVEN that the Order of the High Court of Jestice (Chancery Division) dated the 14th day of May 1990 confirming the reduced on the capital of the shove named company from £1,405,000 to 25,109,239 was registered by the Register of Companies on the 18th day of May 1990

DATED THIS STH DAY OF JU NABARRO NATHANSON Solictions for the Company Ref: 6A/ARE/E139:94

COMPANY NOTICES

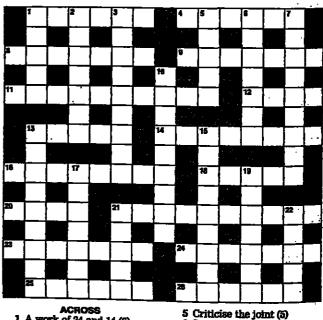
ny Capital Stock In preparation for the payment of the hart-yearly dividend due July 15 1990 on the above stock, the transfer books will be closed at 3.30 p.m. on June 22 1990 and will be re-opened on July 2 1990. D.R. Keest

May 31. 1990

LUXEMBOURG (REGULATED)
CMI Asset Management (Luxembourg) S.A. Dealing Gross Price Yield Gross Yleid US\$10 US\$10 £5 Y1,500 US\$10 £5 Y1,500 DM20 SF:20

#### **CROSSWORD**

No.7,255 Set by QUARK



ACHOSS

1 A work of 24 and 14 (6)

4 The plant's in favour of liquid refreshment (6)

8 Platform in spring unfinished? That's what some believe (7)

9 Two names for a bone (7)

11 Could be tender name (10)

12 Begrudge the ambassador lacking nothing (4)

13, 18 Company for works of 24 and 14 (5,5)

14 See 24

16 Latin for variety could make an impression (4,4)

an impression (4,4)

an impression (4.4)
18 See 13 across
20 Patient action (4)
21 They could cause gritty
reaction at the coast (10)
23 Skin public in a remote
place (7)

place (7)
24 and 14 Entertaining collabo-

rators (7 and 8)
25 Rebuilt manor lodge initially perpendicular (6)
26 Decent tea set out (6)

DOWN I Keen doctor has run all over

Keen doctor has run all over the place (5)
 Minister in Ametican uprising shows dishonesty (7)
 Leave cut short — system of weights found inside ship

Solution to Puzzle No.7,254 LOVEIM IDLENESS
A E M A V C M
PERUSE MARIDIATE
LA I E V D B I
DECADEMT MENTAL
A I E A M R E A
TOTE STRETCH
E V M I A E L S
GOLOGNE PAGE
MOROSE DEPONEMT
PI E A R U R I
ABATTOTR PRAISE
R L T N B A
TASTEFUL PELLET

:5

6 See 17
7 Moderate priest involved in a sorry take (9)
10 What adds flavour at certain time? Gin cocktail! (9)
13 Pet one is dotty about! (9)
15 Engage the common man one to deal with security (9)
17 and 6 Subtitle for work of 24 and 14 (3,4 and 3,4)
19 Mob rush all round certain figure (7)

figure (7) 21 There's room to show steam

age is not over (5)
22 The inventor's a little bit

left out (5)

-20 -30 -10 -40

#### $\Phi \hspace{0.1cm} \Phi_{45}$ NANCIAL TIMES TUESDAY JUNE 5 1990 **WORLD STOCK MARKETS** CANADA Jeans 1 AGA B (Free) AGE A B (Free) AGE A Free AGE A Free AGE B (Free) AGE A Free AGE B (Free) AGE A Free AGE B (Free) Ericson B (Free) Ericson B (Free) Ericson B (Free) AGE B (Free) Ericson B (Free) AGE B (Free) AGE B (Free) Standa B (Free) Standa B (Free) Standa B (Free) Standa G (Free) 4,820 5,500 22,300 14,500 1,210 10,500 2,100 1,185 2,359 2,25 1,128 589 6,140 BMW Bayer-Vereta Bayer-Vereta Bayer-Vereta Bertiseri Contential AG Do. Preti Do. Preti Contential AG Do. Preti D 925 1.449 1.225 1.425 1.225 1.425 1.225 1.425 1. 무우! 얼마 나 하나 하나 아니 아니 230256 Laidw S ( 1800 Lawr Bt 600 Mappa A ( 18270 Mark Ros 1800 Mappa A ( 18270 March Bt 600 Moleon B 1800 Malton A ( 1800 Marcoche 6008 Mat Bt Corp 11300 Malton A ( 1800 Marcoche 6008 Mat Bt Corp 11300 Malton A ( 1800 Marcoche 6008 Mat Bt Corp 11300 Malton A ( 1800 Marcoche 1800 Marcoch 25 1/2 1 1/2 2000 Consputing 1200 G PLA 1 2501 Con TVX 2501 Country 2501 Country 2501 Country 2501 Country 2502 Country 2503 Dichage 25 \$16 \ TORONTO 2200 Spar Aero 40773 Stelco A 1500 TCC Bev 9350 Teck B F Closing prices June 4 Chotations in carris oritina mar 12425 Abitish Pr. 513-2 12420 Agrico E 17905 Abitish Pr. 513-2 12420 Agrico E 17905 Abitish Pr. 513-2 12420 Agrico E 1790 Abras En 518-2 14 1270 Barrish B NETHERLANDS 2000 Terra Mn 400109 ThemCor 18334 Tor Dn Bk 700 Ter Sun 7400 Torster B f 5224 Tostar Pat 20450 Trontar B f 5224 Tostar Pat 15700 Trillon A 16300 Trisco A f 100 UAP A 500 Uhigaco B f 40700 Uhi Carbid 7671 U Entprise 5000 Uhigaco B f 13710 Uhi Carbid 7671 U Entprise 5000 Uhigaco B f 13710 Uhi Carbid 7671 U Entprise 1320 Uhi Carbid 7671 U Entprise 1320 Uhi Carbid 7671 U Entprise 1321 WC B f 111 Wajas A 408 Welchwood 2221 Wet Fraser 162861 Wecnet E 600 Westrain 2500 Westrain 2500 Westrain řk. 77.00 128.20 144.20 120.60 53.00 53.00 57.50 182.00 57.50 107.50 117.80 さんちょうちょう ちょうちゅうちゅうしゅう ちょうちょうちゅうちゅうちゅう こうしゅう ちゅうしゅう しゅうしゅう しゅうしゅう しゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう ちゅうしゅう है। उद्धरिकेहें के दिनका है। उद्धरकों हुई। रूप प्रदेश देश दिन हैं HET ME Adla Inti Do. Pig. Carts. Advantage Lawa Do. Pig. Carts. Baiote Hill Pig Sani Law Do. Pig. Brown Bover! Do. Pig. Brown Bover! Do. Pig. Cha Gelgy Do. (PLCS Hidgs. Cha Gelgy Do. (PLCS Hidgs. Cha Gelgy Do. Pig. Hidgs. Cha Gelgy Do. Pig. Lawa D 134.436.2007 9556559999 27585559 28 92585892889888 885555288574127575157333415434942757 ස්සංස්මණදීමණදීමණ මුණ්දීයන් ප්රේෂයන් | ප්රේඛයාසම පුණ්දීමේ අය Holzmann (P) Hortes Ioniustriekrofit, Ioniustrie Eurocons Euro Disneyland Eurocone Euro Pingstal Eurocone Euror Fingstal Fronciere Lyoni Fronciere Lyoni Fronciere Lyoni Gammont (Soc It) Gen Georgisphage Gen Occidentale Hackstale Hackstale Hackstale Lidarye Copper La Henis Luftiness Do. N/V Pref. MAN Do. Pref. ..... Mannesson ... MONTREAL 900 24775 106070 11570 1073 5092 623526 10650 22335 2490 1000 2750 Total Bombrdrik Bombrdrik Cambior Caecades Domitica Memotec Natifik Cds Noverco Power Corp Provige Quebecr A Quebecr B Videoro Select Presessa Richaeldra Ri Richemont, Rocke Hidgs () Do (Genus) Sendos (Br) De. (PtCts) Schindler (Br) Do. (PtCts) Sibre Survelliance Survelliance Trap | | In Spanger Series (Santa Basis ... Series Basis ... Do. Peg. Swiss Reinsco Do. Peg. Swiss Volksak Union Banis ... Da. Peg. Westerther Do. Peg. Zurich les .... Zurich les .... # 155 10 188 20 189 1857 195 598 1.370 931.15 328.5 956 910 1.070 596 1.840 474 308 500 1.240 1.240 1.240 1.240 1.240 304.5 144444 INDICES NEW YORK DOW JONES June Mey 31 May 30 LOW May 31 2935.19 (4/6) 93.04 (2/1) 1207.85 (4/6) 236.23 (2/1) 2543.24 G0/ID 88.48 (2/3) 1031.83 G0/ID 203.09 G0/40 41.22 (2/7/32) 12.32 (8/7/32) 10.50 (8/4/32) 1513.8 7**43.**5 1499.5 741.2 2935.19 2900.97 2876.66 2878.56 90.68 90.61 90.26 90.16 PAIN SOUTH AFRICA 1 1532.01 (5/9/89) 236.23 (2/1/90) 1207.85 1190.15 1171.53 1163.76 5.200 6.777 34.000 15.702 14.004 15.702 14.702 16.7 Transport 少立すっな中央やFFFののであっまなおののなりのである。 1985年 1985 Abertoro AECI AEGI Tuch AEGI Tuch AEGI Tuch AEGI AIR Card Aegic Am Card Aegic Am Card Aegic Am Card Aegic Am God Aegic Am God Barlow Rand Ortifets Card De Beers De B ---225 215.42 211.71 211.39 212.15 كالثالثات 5622 (U,S) 677.3 (23/1) -035 2 + 87 -STANDARD AND POOR'S 367.40 (4)6/900 428.34 (4)6/900 35.24 (9)10/990 280.21 (4)6/900 397.03 (10)10/990 485.73 (9)10/990 4.40 CU6130 3.62 221623 8.64 CU10074 4.46 254442 27.31 CU120721 54.87 CU100720 Source Alibert Sole Battonolles Sole Battonolles Seez (Fix del Taktinger Thomson (CSF) Total-Petroles Fr. 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HALAYSIA KLSE Casposite (4/4/86) NETHERLANDS CBS TIL RILEGAEED 1983 CBS All Str Gent 1983 192 187 112039 सम्बद्ध 627 20 (28/2) 2.98 15.49 NEW YORK ACTIVE STOCKS TRADING ACTIVITY MORWAY Osio SE Osid (2/1/83) PHELIPPINES <u>€ 658.57</u> 858.73 881,75 (31,53 70L67 (2/1) 855.85 Closing Change price on day Millions June 4 June 1 May 81 -53 800.44<u>817.39</u>817.86 798.15 165.690 1A.707 157.258 2,005 783 675 547 46 21 1160.70 (21/3) 798.15 (30/5) 3,950,900 2,447,600 2,085,200 2,077,900 2,006,400 1,936,200 1,705,000 1,705,000 187.860 13.732 168.058 2,020 978 573 469 72 Rew York Amer RASDAQ Issues Traded Roses Falls Unchanged New Highs Rew Lows + 12 + 13 + 24 + 64 + 64 + 5 30½ 34¼ 44½ 45¼ 46¼ 46¾ 45¾ AUSTRALIA (continued) 434*6*9 435.24 435.52 401\_34 CO)40 443.34 66/20 Jame 4 Takaoka Elect. Takara Shugo ... Takashimaya ... Takada ... 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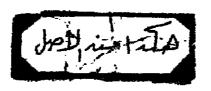
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INTERCONTINENTAL S.r.L, MILANO Tel: (02) 688 7041 Tlx: 330467 Fax: (02) 688 1667 **FINANCIAL TIMES** 

## **Interest rate** hopes push Dow to record close

#### Wall Street

AFTER A brief pause yesterday morning following last week's record breaking surge, the Dow Jones industrial average surged again yesterday afternoon on optimism that interest rates will be lowered,

writes Janet Bush in New York. The Dow traded in a tight range throughout the morning session and then started to rise, led by interest in financial stocks. At the close, the Dow stood 34.22 points higher at 2,935.19, another record high on moderately active volume of

On Friday, the Dow Jones industrial average gained 24.31 points to close at 2,900.97. a record high, encouraged by a strong rally in the Treasury bond market in response to weaker than expected employ-ment data for May.

Financial issues led the market higher with interest piqued not only by hopes of lower interest rates but also because institutional investors are generally thought to be underinvested in financial stocks.

Among the most active ues on the New York Stock Exchange were the Federal National Mortgage Association which jumped \$1% to \$43%. American Express which added S1% to \$31%. Federal Home Loan Mortgage which surged \$3% to \$80 and First Interstate Bancorp which jumped \$5% to

M's. Although the financial sector was boosted by interest rate hopes, the outlook is still uncertain. There is very little economic news this week to clarify the outlook which still seems to be mixed. The rally in the equity market on Friday came largely on strong buying of Treasury bonds rather than the economic data released that day which offered a mixed

picture. The employment data did appear to signal more softness in the economy with very weak iob creation in the services sector although some economists believe that overall weakness was overstated. The latest survey by US purchasing managers continued to signal a

#### Canada

SHARE PRICES bounced back from a 25-point loss in Toronto

Until further economic evi-

dence emerges, equity analysts

are focusing on whether the market can build on its record run of gains, whether it is due

for a downward correction and,

L.A. Gear is another stock which was under pressure throughout last week even

before Friday's announcement

that the company will report its first quarterly drop in net

income in three years. That

news pushed the stock \$8%

lower on Friday and it only

managed to recoup \$\% to \$30\%

yesterday. Another stock which has

been under pressure is Federal Express which managed to recoup \$1 to \$48% but is still not far from its low this year of

Steels were of interest yes

terday after a US press report highlighted increased demand

for steel products which is

firming up prices. Bethlehem Steel yesterday gained \$% to

if so, how much.

The composite index gained 8.51 points to close at 3601.50, but declines topped advances 233 to 266. Volume of 27,524,000 shares was swollen by trading in Nova Corp. which gained CS½ to CS9½ on 6,759,008

Nova announced plans to sell its valve manufacturing subsidiary, Grove Italia S.P.A., for about C\$114m. The company sald it will report an after-tax gain on disposal of this investment of about

Value of trading fell to C\$324.2m from C\$379.8m on Friday when 28,050,000 shares changed hands.
Gold stocks lost 1.6 per cent

on index. Financial services closed little changed with oil and gas, mining slightly higher. Consumer products and industrial products both posted gains of more than 1 per

#### EUROPE

#### Milan takes a break while Madrid rises

ITALY FELL on profit-taking vesterday, while optimism about inflation lifted Spain; most other bourses were closed for the Pentecost holiday. writes Our Markets Staff. MILAN dipped at the as investors took profits after the market's recent advances and gave the market a much nceded chance to consolidate. The selling was also sourced to traders adjusting positions early in view of trading ccount deadlines next week Next Monday sees the explry of monthly stock options con-tracts, while Wednesday marks

the last day of the June trading account.
The Comit index eased 0.62 to 748.37 in reduced volume due to the closure of many European markets. Among banking stocks, Banco di Roma continued to rise on expecta-tions that it would soon con-Hispano Americano of Spain and Commerzbank of West

Germany. Banco di Roma climbed L31 to L2,681 and reached L2,750 after hours. MADRID was in an ontimis-

rates had reached a ceiling encouraged buying, although trading volume remained low.
The general index gained 1.95

tic mood and ended the continuous session 0.7 per cent higher. The belief that the next inflation figure would be good and that short-term interest

ces. The HEX general index, calculated on a first-day 1,000 basis, ended trading at 998.05.

MONDAY JUNE 4 1990

Among the few active stocks, Telefonica rose Pta14 to Pta834 and Hidrola, the utility, advanced Pta9 to Pta514.

HELSINKI eased in very thin trading. The Unitas all-share index lost 0.1 to 577.1. The total turnover was FM12.3m, of which free shares made up FM2.21m. The Helsinki Stock Exchange yesterday introduced its own index, the HEX, with a general index and sectoral indi-

T HE EUROPEAN motor industry has been out of favour with investor 19.8 per cent; and in Italy. Flat has weakened by 7.7 per cent against the Comit index, in for well over a year now, and it is likely to remain so for some spite of a vigorous share-buy-

back programme.
While there is little doubt that the future for the Euro-pean motor industry is bleak, the fact that fund managers still invest in Europe on a country rather than a sector basis prevents car stocks from being totally ostracised. Not only do most of them have international listings, but they are also among the more liquid issues on continental bourses. On the Frankfurt Stock Exchange, for example, car stocks account for about 15 per

cent of the market.
On a fundamental basis, VW and Daimler have attracted buyers for their east European prospects, although some analysts believe this to be over-done. "VW and Daimler are at the vanguard of moves to develop eastern Europe, but we can only expect to see a visible return on investment in the second half of the decade at the earliest," says Mr Stephen Reitman at UBS Phillips and Drew. Mr Reitman also says exposure to the deteriorating economic situation in Brazil has not been fully discounted

the Japanese invasion of Europe, continental volume car producers have a more pressing problem. After enjoy-ing record margins, thanks to five years of strong growth in the vehicle market, they face a difficult period as increased capacity and stagnant sales in some key markets take their toll. And eastern Europe can-

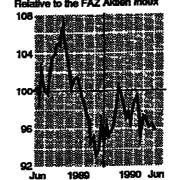
not seriously be tapped for at

least five years. The west European new car market is forecast to drop to somewhere between a pessimistic 12.9m and a more realis-tic 13.3m units in 1990, from 13.4m in 1989, mainly because of sharp drops in sales in the UK and Spain. High interest rates in those countries have choked off consumer demand Volume car producers not only have to chase fewer buy-ers, but capacity has also caught up, mainly thanks to the elimination of bottle-necks," says Mr John Lawson at Nomura Research Institute

At the lower-priced end of the car market, market share is the name of the game, and the gloves are coming off as demand slackens. Manufacturers are under increasing pres-sure to bring out new models or increase specification on existing lines to protect their positions, all of which will inevitably depress margins. As a result, volume car producers are looking to increase their exposure to the lucrative luxury car market, which is expected to grow thanks to higher disposable incomes in Europe,

The going gets tough for European car stocks

#### Motor Industry Group Relative to the FAZ Aldien Index



as well as an ageing popula However, margins at the upper end of the car market will deteriorate for all players as the choice widens. Toyota, flush with the success of its Lexus model in the US, launches its luxury car in the UK in June following its European unveiling in Switzerland in March. In addition, Ford will come out with new Jaguar models in the mid-1990s, and General Motors is set to do the same with Saab. "The situation obviously cannot be positive for existing luxury car produc-ers such as BMW or Daimler. Benz," says Mr John Long.

hurst at James Capel Research. The much-beralded Japanese entry into the European car market, after the creation of the single market in 1992, has prompted European car manufacturers, especially those heavily dependent on their domestic markets such as Peugeot and Fiat, to increase capacity and productivity in order to be more competitive. But given the success of the Japanese car plants built in the US in recent years and the consequent erosion of US car manufacturers' domestic market share, it would be foolish to suppose that the same would not happen in Europe.

The Japanese already have a strong position in so-called "free access" markets in Europe, from about 15 per cent in West Germany to nearly 40 per cent in Ireland and Fin-land. They have a good chance of gradually building up similar market shares in protected markets such as France, Italy.

Eroding margins and stiffer competition paint a bleak scenario for investors, writes Antonia Sharpe UK, whatever the outcome of the European Community's present tortuous negotiations

with Tokyo. Italy is particularly vulnerable. In the first three months of this year, new car sales rose 5.6 per cent, but sales of Jananese new cars, from an admirably low base, increased by 33.8 per cent, says Mr Gavin Launder at Kleinet danger that the Japa nese will fulfil their year's quota in the first half," Mr

Launder adds. The Japanese threat, how. ever distant, is already at the back of many fund managers minds. Taking a shorter term view, they are braced for more bad news than good from Euro pean car manufacturers, espe-cially from Sweden's Volvo and Saab. "Car stocks are cheap but sentiment is negative. So it's safer to stay away," says a European portfolio manager at a leading investment house

Anyone who is determined to hold car stocks should per-haps look to the Far East where the car markets are still booming. Furthermore, the Japanese motor sector has recovered from a relative weakness of 16.8 per cent in February to stand 8.3 per cent lower at the end of May.

## Brisk Tokyo start gives way to softening in prices

Taiwan

Weighted Index ('000)

#### Tokyo

EARLY GAINS mostly slipped away yesterday, and the Nikkei average finished slightly higher than Friday's close but below its opening level, writes Martina Gannon in Tokyo.

time as fears of eroding mar-gins and stiffer competition

ket run of most car companies

bears this out. Taking the sec-

tor on a country-by-country

basis, West German carmak-

ers' shares have underper-formed their domestic market

by 3.5 per cent over the past

year, the Italians by 7.7 per

cent and the French by a more

nies, Volkswagen and Porsche have made hefty relative rises

of 17.7 per cent and 14.6 respec-

tively. But elsewhere, share-

holders have mostly lost out.

In Sweden, Volvo has under-performed the Affarsvärlden General index by 21.2 per cent,

while Saab has managed to

outperform by 2.8 per cent thanks to a battle for control of

the company earlier this year.
Elsewhere in Europe, the
picture is similar, with luxury
car manufacturers BMW and

Daimler-Benz underperforming

the FAZ index by 17.5 per cent and 5.4 per cent respectively. In France, Peugeot has lagged behind the CAC 40 index by

Among individual compa-

worrying 19.8 per cent.

The disappointing stock mar-

start to become reality.

Share prices had risen in brisk morning trading as expectations of easier credit had been raised by a decline in short-term interest rates. The weakness of the yen contrib-uted to the day's volatility; trading was fairly light, but

Stock and futures purchases were encouraged by the rise in bond prices. Shipbuilding and general contractor shares were bought, as were large-capital stocks related to domestic

The Nikkei average closed 34.25 higher at 32,925.37, near the day's low of 32,898.22, after reaching 33,081.93 at one stage. Advancing issues led declines by 521 to 417, with 188

The Topix index of all listed stocks rose 0.69 to 2,427.24 and, in London trading, the ISE/Nikkei 50 index added 2.10 to .817.32. Turnover totalled 650m shares.

Investors had been eager to buy but had lacked inspiration, said Mr George Nimmo, equity sales manager at SBCL "There was a lot of tail-chasing, as traders searched for excuses to buy, and finally they latched

to iniming and construction issues," he added.

The day's biggest gain was by Rheon Automatic Machinery, a food-processing machine manufacturer, which rose 20.5 per cent, adding Y700 to Y4,100. Along with other makers of labour-saving devices, Rheon is proving popular because of Japan's current shortage of

Trading in Nippon Oil shares was briefly suspended in the morning in an attempt to calm a volatile market. The stock closed at Y1,390 in the day's second-most active trading. The activity followed a report on Friday, later denied by the group, that the company was planning a joint venture with Saudi Arabia. Among other advancing

FRIDAY JUNE 1 1990

Tobishima, a company active in hydroelectric plants and

railroads, rising Y60 to Y1,880. In Osaka, a wait-and-see mood predominated and trading was thin at 56m shares, compared with Friday's 62m. Chemical, pharmaceutical and oil shares dropped and the OSE average dipped 13.29 to 35,535.95.

issues were consumer electron-ics, including TDK, which rose Y40 to Y6,572, and Sony, which

ended at Y8,580, up Y30. General contractors rose, with

#### Roundup

THE ANNIVERSARY of the Tiananmen Square massacre received a fairly calm response in Hong Kong yesterday, where share prices ended slightly lower after a busy day's trad-ing. A 6.5 per cent tumble in ing. A 6.5 per cent tumble in Taiwan and another record high in Thailand were among the other features of a mixed session for Asia Pacific regional markets. New Zealand was closed for a holiday.

HONG KONG finished broadly mixed in heavy trading after early gains were wiped out by profit-taking. The Hang Seng Index fell 5.25 to 3,153.22, having touched 3.200 in the

having touched 3,200 in the morning on Wall Street's con-tinued rally and the relatively calm anniversary of last year's brutal suppression of China's democracy movement.

Turnover stood at a hefty HK\$2.13bn, off slightly from A large part of the day's sell-ing affected the Jardine Matheson Group, several of the com-ponents of which tumbled on profit-taking and on the pros-pect of a glut of new shares entering the market through

the compulsory conversion of Jardine Strategic Holdings' preference shares.

TAIWAN fell as investors rushed to take profits after last week's rally of about 20 per cent. The market was also undermined by the news that the new Finance Minister, Wang Chien-shien, did not plan to reduce the existing 0.6 per cent stock transaction tax.

The weighted index, which had added 192.53 on Saturday, dropped 509.27, or 6.5 per cent,

to 7,347.74. Volume rose to

May 1990 Jun shares worth NT\$128.85bn after 1.49bn and NT\$111.07bn on Saturday. Cement and construction stocks led the decline, with their sectoral indices losing 6.8

respectively.
AUSTRALIA was underpinned by Wall Street's gains and rose for the seventh consecutive session in spite of a fall in gold stocks. The All Ordinaries index rose 11.1 to 1.524.9. Turn-

over rose to 100m shares or

A\$188m from Friday's 81m or

per cent and 6.7 per cent

Blue chip issues remained in demand, with BHP up 10 cents at A\$9.46. However, the gold miners such as Central Norse-man Gold Corp, BHP Gold Mines and Placer Pacific edged down after the bullion price dropped, while diversified min-ers, such as CRA and MIM. were able to firm by a few

BANGKOK surged in heavy volume dominated by insur-ance and fruit canning issues, which sent the stock index to a record for the fourth succes-The composite SET Index gained 19.96 to close at 1,032.75. Siam Cement was up 40 baht at 7,026 baht and Siam City Cement gained 12 baht to end at 281 baht.

SEOUL rallied for the sixth day in succession in heavy vol-ume on rumours of an early high-level meeting between North and South Korea. The composite index closed at 814.40, up 9.55 from Saturday, on a strong turnover of 318bn won compared with 176.7bn
won in the previous session.
SINGAPORE drifted lower
on stop-loss selling in declining
volume, which fell to 44.5m

shares or S\$117.25m. Straits Times index fell 3.36 to

shares or S\$104.5m from 53.6m

KUALA LUMPUR saw prof-

it-taking after Friday's gains. The composite index fell 2.72 to finish at 583.82 and turnover rose to 36.7m shares from

MANILA was shaken by the murder of a US serviceman. Investors sold for fear of further political trouble. The composite index fell 16.86 to 800.44

#### **SOUTH AFRICA**

THE WEAKENING ballion price, which fell below \$360 an ounce, hit Johannesburg gold shares yesterday. The JSE Gold index fell 44 points to 1,566, but the Industrial index managed to make a small gain of 3 to 2.964.

Vaal Reefs dropped R17.50 to R294 and Beatrix lost R1.50

For sponsored ADR programs of the world's leading corporations, over 50% of total trading volume on all U.S. exchanges is in the ADRs issued by one firm.

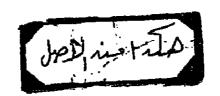
**JPMorgan** 

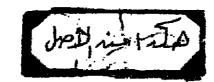
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#### FT-ACTUARIES WORLD INDICES Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per grouping	US Bolter Index	Day's Change	Pound Sterling Index	Yan Index	Dm Index	Local Currency index	Local *+ chg on day	Gross Drv Yield	US Collar Index	Pound Sterling Index	Yen Brdex	Dro indez	Local Currency Index	1990 High	1980 Low	Year ago (approx)
Austraha (81)	38 57	-07	122.62	133 67	122.01			5.79	137.59	121.10	131.59	121.11	118.88	158.31	125.85	132.94
Austria (19)	239 93	-01	212 31	231 44	211.25		+00	1.28	240 08	211.30	229.62	211.32		285.63	193,15	120.75
Belgium (61)	150 30	-04	133 53	145 55	132.86		+ 0.0	4.44	151.55	133.39	144.93	133.39	129.88	160.02	132.11	130.03
Canada (179)	138 96	+01	122 96	134 03	122.33		+0.4	3.45	138.67	122.23	132 81	122.22	117.91	153.61	130.37	138.70
Denmark (33)	. 255 52	-C4	225 10	246 48	224 97		+0.0	1.28	256.51	225.76	245.33	225.77	224.59	260.82	236.69	180.40
Einland (25)	137.75	-03	121 89	132.88	121 28		-01	2.39	138.17	121.61	132.15	121.62	114.52	152.29	129,99	146.12
France 125	162 91	-02	144 15	157 13	143 42		+0.0	2.82	162.55	143.07	155.45	143.07	145.72	168.85	141.69	120.47
West Germany (93)	129 18	-00	114 31	124 62	113.73		+0.0	1.96	129.22	113.73	123.60	113.73	113.73	137,71	122.05	85.57
Hong Kong (48)	130.24	-04	115 24	125 63	114.67	130.16	-04	4.82	130.80	115.12	125.09	115.13	130.71	130.80	112.24	88.41
Irgiand (17)	166 54	-06	165 06	179 94	164.24	167.10	+00	2.62	187.61	165.12	179.43	165, 13	167.10	198,57	172.72	139.03
f(aly 196).	106 71	-00	94 42	102 93	93.95	99,16	-0.2	2.40	106.68	93.90	102.03	93.90	99.33	107.10	91.85	78.54
Japan (454)	153 99 233,27	-09	136.26	148 54	135 60		-00	0.57	155.38	136.76	148.60	135.78	148.60	197.26	124.40	176.69
Malaysia (35)	549 8S	-0.2 +09	206 41 436 56	225 00	205.37	243.42	-0.2	2.21	233 80	205,77	223.59	205.78	243.84	245.32	204.15	178.94
Netherland (43)	140.88	+00	124.66	530 40 135 89	484.13	1710.39	+1.3 +00	0.30	544.75	479.45	520.99	479.48	1689.11	549.86	324.53	230.30
New Zealand (17)	64 33	-00	57.36		124 04			4.60	140.88	123.99	134.74	124.00	122.59	145.68	130.43	116.14
				62 54	57 08	59.67	+ 0.0	7.37	64.80	57.03	61.98	57.04	59.67	75.36	59.57	65.10
Norway (23)	241 90	-09	214 05	233 34	212 98	214.24	+0.0	1.43	244.05	214.80	233.41	214.81	214.24	245.90	202.34	177,48
Singapore (25)	205 <b>59</b>	+00	181 92	198 31	181.01	175 55	+0.0	1.93	205.57	180.93	198.61	180.94	175.54	207.28	179.70	157.40
South Africa (FC)	190 68	-10	168.73	183 93	167.88	180.61	-1.4	3.70	192.57	169 49	184.17	169.50	162.85	251.39	173.80	135,22
Sp.3(n (42)	160 88	+0.7	142 35	155.19	141.64	127.73	+0.7	4 16	159.70	140.56	152.74	140.56	126.79	165.19	132.84	148,20
	211 65	+00	197 28	204 16	186.35	191 91	+0.0	2.10	211.73	186.36	202.51	186.37	191.91	211.73	173.89	157.80
Switzerland (66:	103 47	- 0.2	91.56	99 82	91.11	92.28	+0.0	2 24	103.69	91.26	99.17	91.28	92.28	104.31	88.75	75.28
United hingdom (396).	160 95	-02	142 42	155 24	141 69	142,42	+03	4.73	161.27	141.94	154.22	141.94	141.94	164.31	139.87	137,26
USA (537)	148 55	+12	:31 45	143 30	130.60	148.55	+1.2	3.26	146.77	129.18	140.38	129.19	146.77	148.55	130.61	131.43
Europe (955)	147.00	-0:	130 08	141 80	129 43	129.26	+0.1	3 51	147.10	129.47	140.68	129,48	129.07	147.42	135.57	115.32
Nerdic 117)	IG4 68	-03	180 58	196 86	179.68	174.89	+0.0	1.72	204.67	180.14	195.75	180.15	174.90	204.67	185.01	153.25
Pacric Basin (660)	152.51	-08	134 95	147 11	134 28	146.58	+00	0.87	153.77	135.34	147.08	135.34	146.60	192.75	124.63	171,76
Euro - Pacific (1645)	150 67	- 0.5	133.33	145.33	132 65	140.05	+0.0	1.92	151.46	133.31	144.84	133.31	139.99	174.18	130.35	149,23
North America (656)	147,87	+ 1.1	130 84	142 65	130.21	146 55	+1.2	3 27	146.19	128.67	139.83	128.70	144.86	147.87	131.02	131.77
Europe Ex UK (679)	126.99	+ 6 6	121 22	132 17	120 64	121 00	+0.0	2.73	136.95	120.54	131.01	120.57	120.97	139.50	124.81	101.39
Pacific Ex Japan (206)	134.06	-02	118 63	129.34	118.05	20.93	+0.3	5.05	133.78	117.75	127.97	117.7B	120.51	139.32	122.53	112.70
Warld Ex US (1937)	150 90	-05	133 53	145 57	132 86	139 93	+0.0	1.99	151.66	133 49	145.08	133.50	139.88	173.77	131.30	148.78
World Ex. UK (2063)	147 1	+01	130 73	142 52	130 09	142.71	+0.5	2.18	147.57	129.88	141.15	129.90	142.06	162.00		
World E. So At (23:4)	1-8-4	+01	131 53	143 39	130 88		+0.5	2.10							130.80	142.03
Morid Ex. Japan (1900)	147.74	-06	130 73			142.51	+0.5	3.43	148.51	130.71	142.05	130.73	141.86	161.84	131.95	141.83
				142.52	130.10	139.81			146.83	129.23	140 44	129 26	138.83	147.74	134.62	124,97
The We 44 Index (2074)	TTB GU	+ 6	131 75	1.17 63	171 10	142 84	404	2.42	149 79	170.04	140 00	430.05	442.04	100 06	120 DE	444.50

The World Index (2374) 148 90 + 6 1 131 75 143 63 131 10 142.84 + 0.4 2.42 148.78 130.94 142.29 130.96 142.01 162.05 132.25 141.59 Copyright, The Financial Times Limited, Goldman, Sachs & Colland County NatWest Securities Limited 1987 Markets closed June 4 Austria, Belgrum, Denmark, France, Ireland, W. Germany, Netherlands, New Zealand, Norway, St Constituent change 4:5:90 Addition. Wiggins Teape Appleton (U.K) South African prices were unavailable for this edition.





FINANCIAL TIMES SURVEY

# Stor EUROPEAN INVESTMENT LOCATIONS Tuesday June 5 1990



Regardless of 1992, the EC will still be a community of differences, with regional similarities

scending frontiers. The wild 1 is eastern Europe. And some side investors fear there may be ortress Europe'. Hazel Duffy and de Jonquières set the scene.

## littering rizes

APPROACH of 1992 is ing companies, in and the European Commuo re-examine their loca-

prospective single mar-not the sole motivation: part of the panoply of , which saw global con-tions assume greater sig-ce in location decisions

was particularly notice-imancial services, but acturers also did their acreasingly on the basis rldwide products and

ing.
petition between govern(national and regional), and towns has never tore intense. Everybody a share of international nent. Politicians, from
down, work hard to
inward investment.
ver the considerable
of internally generated

nic development, the parts of Europe still ne glittering prize of forvestment. wild card in the pack is

Europe. The sudden expected dismantling of rriers has complicated ture for the corporate ist. There are many rea-thy companies should

not plunge in; yet there is a fear of being left out. Most will not want to set up as manufacturers, unless it is through a joint venture. But if they think there are new markets to be satisfied, from where should they be served? From Austria, with a deep knowledge of eastern Europe and east-west trade, but outside the EC; or from West Germany?

Regardless of 1992, the EC

Regardless of 1992, the EC will still be a community of differences — land, labour, communications, the cost of borrowing, will be far from uniform across the Commu-nity. The boundaries will not be wholly along national fron-tiers. Regional similarities transcend frontiers. Nord-Pas transcend frontiers. Nord-Pas de Calais, for instance, has more in common with the Netherlands, Belgium and parts of West Germany than it has with south and west

Regions and cities are get-ting together more, to promote their strengths. Amsterdam has teamed up - a little ner-vously, as they are old rivals -with Rotterdam and The Hague, to market themselves as Randstad Holland, the location for offices, and for distribution purposes.

Distribution and location



probably occupy more minds focused on 1992 than the ques-tion of manufacturing rational-isation. Antwerp, Zeebrugge, Rotterdam, the prime locations for warehousing and distribu-tion, feel just a little concerned that they will lose some of that they will lose some of their edge to locations in cen-

tral Europe.
Frontier formalities will be

RC. Theoretically, that makes one huge warehouse operation more attractive. But many companies prefer not to take the risk of, for instance, fire in just one location. The challenge is to find the optimal location.

The Community's newest members, Spain and Portugal, compete increasingly for man-ufacturing with Ireland and eradicated for goods within the

the northern and western regions of the UK. But Ireland regions of the UK. But Ireland and the UK want more than assembly-type operations. They want research and development, design, and marketing facilities to be set up by their foreign investors, to provide skilled and specialist jobs for young people. The most mobile sector in foreign investment is financial services. London's

pre-eminence, stimulated by Big Bang liberalisation, is chal-lenged increasingly by Paris. Many big financial companies, as well as accountants, consultants, and even lawyers, are represented in several Euro-pean cities. But only one global securities and banking centre is likely to emerge from the

The patterns of foreign

direct investment are complex. Statistics are incomplete, based as they are on balance-of-payments figures that exclude locally-financed investments. A becomes paper from the Royal Institute of International Affairs puts a partner inward-investment flows into BC countries at about Ecu40bn FOR THE first time, busi-(\$32bn) in 1988. One third went ness investors are being to the UK. The next biggest recipient was France.

to the UK. The next biggest invited to help the European recipient was France.

Foreign investment by Japan continues to run much higher regions of the EC. In the US (abour 45 per cent). The UK receives by far will be a conference about to the biggest slice of this, but foreign investment in the UK by companies within the EC is a much lower proportion than in Spain and France. Intra-EC foreign investment could well be growing faster than investment from outside the Community.

A growing proportion of for-

A growing proportion of for The challenge from Paris A growing proportion of foreign investment in Europe is in the form of mergers and acquisitions. Some 1,300 cross-border
deals, with a total disclosed value last year of Ecu45,3bn, were recorded in Translink's European Deal Review. The US was the single biggest acquiring country (Ecu13.8bn), followed by France (Ecu9.7bn),
Acquisitions are obviously

Acquisitions are obviously less location-sensitive than greenfield investments, because they depend on companies that have a "for sale"

notice.

The motives for foreign investment are undoubtedly fears, among Japan, the US fears, among Japan, the US and the Efta countries, of a "fortress Europe" after 1992. Sweden, in particular, has been a notable investor in the EC recently, both by setting up and by acquisition. Reassurances that the EC does not intend to exact harriers around intend to erect barriers around itself have had some impact, but the message has not

entirely eradicated the fears.

Brussels hovers over the investment scene, on two fronts. On the one hand, it fronts. On the one hand, it encourages development of the regions that are disadvantaged by their distance from the centre, and those that have suffered industrial decline. On the other (and they strive to be complementary), the aim is to level the playing-fields in the area of state-aids to industry.

Every EC country offers

Every EC country offers incentives to industrialists in areas designated for help.

Grants can meet as much as half the capital cost of setting are no longer automatic. Companies have to convince governments that the incentive can be justified, and governments must satisfy the European Commission that they do not exceed the celling at hy not exceed the ceilings set by

Austria escapes this regime. It can, and does, offer very attractive financial packages. Switzerland, too, is outside the discipline. For certain types of investment, it is an attractive proposition.

Tax concessions can also be

generous, and are gaining in importance as grants increas-ingly come under the microscope of governments anxious to cut public spending. Addi-tionally, Britain and France have enterprise zones, to encourage new investment in areas where old industries have closed down. Ireland has negotiated special concessions from Brussels, to entice financial service companies to Dub-

The actual choice of location will always depend on a vari-ety of factors. Getting it right demands a studied and neutral approach. The consequent savings can be considerable.



ment locations.

turing costs."

THE "HASSLE factor" is how

John Dunning, professor of international business at the

University of Reading, explains

the importance of airports when businesses choose invest-

"The proximity of airports.

nationals choosing the country

and location of a European

becoming far more important

than traditional determinants

such as the quality and price of labour, land prices or manufac-

The reason is executives'

increasing need to travel - not only between their European

headquarters and subsidiary

companies elsewhere in Europe, but also back to their company's world base in the

For most business people, despite the blandishments of

club- or first-class, these trips

soon lose their glamour.

A study by Prof Dunning of 83 multinationals, which decided to locate either their

European headquarters or a branch office in the UK during

the mid-1980s, showed that, in

choosing a regional headquar-ters, the most important factor was the need to be near an

For branch offices, only

proximity to clients, market

size and prospects, and lan-guage were rated above prox-imity to airports (John H.Dun-ning: Explaining International

Production, Unwin Hyman,

Rank-Xerox, the copier and

information technology group, is typical. It has an in-house

travel agency at its European base with as many as eight to 10 people to handle the travel

Three years ago, when the company decided to move its

European headquarters from central London, it relocated at

Marlow, near High Wycombe, close to the M40 motorway and

only a short drive from Heath-

row airport. It says proximity to the airport was a primary

airports are important, too: fast roads and frequent fast

trains. Airports such as Paris' Charles de Gaulle, Amsterdam

Schipol, Geneva and London Gatwick are well served by rail

links - though Prof Dunning

warns that Heathrow, with its

Efficiency transport links to

consideration.

ments for its 1,000-odd

US or the Far East.

"Questions such as these are

headquarters," he says.

## Skill matters more

LABOUR IS becoming a more complex part of an investment decision within Europe.

The traditional search for low labour costs, peaceful industrial relations and liberal labour regulations is becoming

Yet it would be hard to guess this from the debate about the European Commission's Social Charter. Support for the charter, from states with strong employment regulation, suggests a feeling of vulnerability to the mobility of capital, on grounds of labour cost. Companies have also used

the threat of capital mobility in investment decisions - such as General Motors' siting of its V6 engine plant at Ellesmere Port, Merseyside - to force changes in local union agree-ments, and to convince workers that wage restraint is

But there are a number of reasons why simple wage-costs and industrial relations climates are having less influence include changing production methods, a convergence of wage costs, and shortages of skills in many regions.

The emphasis on product quality in high-technology industry has combined with the automation of many simple demand for low-wage, low-quality labour. Companies increasingly seek adaptable skills, for

which they will pay. Mr Tim Epps, personnel vice president of General Motors Europe, argues that labour costs in a car plant now attendance than on workers' commitment to quality and willingness to work with managers to drive down overall

"Labour costs vary in many counting how much each bigger differences happen in the work system - the softerside elements, like the ability of managers and employees to work together to reduce costs," Mr Alain Hagelauer, chief financial officer of Thomson-CSF, the French electronics and defence groups, says the importance of wage costs in investment decisions varies.

For products such as consumer

electronics, wages may be only 10 per cent of total costs. "In cases like the making of

television tubes, production is very automated, and labour costs are less important," he says. "Then the guiding light in an investment decision might be the financial package we obtain from either the

country or the region."

The likelihood of companies making simple choices among regions on grounds of labour cost is lessened, both by the convergence of wage levels in European Community countries, and by the relatively small differentials in unit labour costs among them.

There was a gradual convergence in wage levels in European manufacturing during the 1980s. Taking the EC average as 100. West German manufacturing earnings were 128 in 1978 but fell to 109 in 1984. In the same period, Italian earn-ings rose from 65 to 79. More significantly, a compar-

ison of unit labour costs across EC countries shows that absolute wage costs are a had guide to unit wages. In 1987, with UK unit labour costs taken as 100, costs in West Germany were 98, in Ireland 112 and in Greece

Different skill and productivity levels mean unit labour costs tend to cluster more than simple earnings levels. Earnings ranged between 175 for Denmark and 25 for Portugal, while unit labour costs (excluding Greece) grouped between 98 and 122.

The fall in the labour component of goods made by simple manufacturing processes also works against simple wage levels' determining investment. The most mobile plants those assembling imported components for domestic markets - now require less

At the same time, past restrictions on manufacturing investment, in the form of unhappy industrial relations and strict labour regulations, are tending to weaken. Indus trial disputes have fallen from 1970s levels in many EC countries, while regulation is har-

monising.
This suggests a weakening of the motive for inward inves-tors to indulge in "social dumping" by settling in

regions of low wage cost and minimal regulation. There are together with effective and cheap telecommunications rep-resent key variables for multialso growing reasons for investment to be decided on other aspects of local labour

supply.

The most important are skill and the local education and training infrastructure. The growing demand for skilled technicians and professionalgrade workers means companies are being forced into costly recruitment methods.

Mr Hagelauer says that labour costs can rise towards 40 per cent in Thomson-CSF's research-based more operations, such as defence. The company is already considering hiring engineers from India, because of the shortages

of suitable skills in Europe. This tends to drive the com pany towards countries with the right supply of skills when choosing locations for the higher end of its product range. France, West Germany and the UK are favoured for engineering skills, rather than Italy, Greece and Spain.

Occupational forecasts predict strong growth in managerial and professional jobs dur-ing this decade, with falls in demand for operative and low-skill tasks. This suggests that companies will increasingly be driven towards supplies of

Mr Epps argues that GM is "one of the largest educational institutions in the world", and that it provides considerable education and training at locations such as Saragossa, in northern Spain. But even GM would have difficulties training graduate engineers from

A number of trends growth in demand for skills, automation of routine tasks, manufacturing techniques emphasising quality - are now pushing companies away from simply seeking low wage costs in investment decisions.

The inflexibility taking the place of collective wage-cost and industrial regulation is the limit on supply of individual skills. In the 1990s, companies are likely to become increasingly wary of locating in places where the quality of labour is inadequate or unreliable.

# road near regular flights help cut the bill

	Branch office	Regional office
TRANSPORT & TELECOMMUNICATIONS:		
Airports	2.6	3.5
Postal services	1.8	2.4
Telephone and telex quality	2.3	3.0
Telecommunications costs	1.8	2.5
MANPOWER COSTS:		
Local professional or technical	1.9	2.3
Local secretarial or clerical	1.6	2.1
LANGUAGE, SOCIAL, CULTURAL:		
Language	3.0	3.4
Living conditions for expatriates*	1.6	2.3
BUSINESS FRAMEWORK:		
Level of corporate taxation	1.5	2.2
Availability of Govt incentives†	1.0	1.5

Underground service, could lose some of its attraction if the Heathrow-Paddington station link is not built soon However, companies look not only at the proximity of airports but also at the fre-

quency of direct flights, to

allow flexibility. Failure to For most business people, despite the blandishments of clubor first-class, routine trips soon lose their

glamour

catch an aircraft can mean missed meetings or an over-

Mr David Rees, director of the European location advisory service at Ernst & Young, the management consultants in London, gives the example of one Washington-based client that was looking for a location for its European headquarters. Factors included the cost and quality of labour, taxation, incentives, telecommunications costs, property and office costs, export issues and trans

The company chose a site near Heathrow – a decision heavily influenced by the fact that it was the only European airport offering a satisfactory frequency of direct daily services to and from Washington. Such considerations prompt many high-technology compa-nies to locate near the airport. Apple has its UK base at Stock ley Park, near the junction of the M25 and M4 motorways; Digital is based in Reading while IBM and Racal and hun-

dreds of software companies are based in the area. nies, airports have not historically been as crucial, admits Prof Dunning. However, he believes that, as companies integrate their manufacturing operations and turn increas ingly to just-in-time inventories, easy and regular access to air cargo operations will become more important.

Airports' role in attracting investment has not been lost on many governments and local authorities, and partly explains a willingness to invest heavily in them. For example, Aéroports de Paris, the com-pany that owns the Paris airports, has invested FFr3bn (\$535.3m) over the last five ears, and expects to invest a further FFr9bn over the next four, in new facilities and transport links. Schipol is vesting Fi 1.5bn (\$802m) over

the next five years. Regional airports are also investing heavily. They believe the growth of air travel will mean that the larger hubs will be unable to cope. Lufthansa belives that 68.5 per cent of delays are already caused by inadequate infrastruture.

Mr Jean Chemain, director general of the chamber of com-merce and industry at Lyon, thinks the shortcomings of infrastructure at major airports will provide opportuni-ties for the smaller airports. New aircraft canable of oper-

ating economically with small loads on long-haul routes, together with the introduction of small jets able to fly from spoke to spoke and so avoid congested hubs, will allow the smaller airports to grow rapidly, he argues. The potential allows Mr Chemain to justify the FFr2bn that will be spent on Lyon's Satolas airport and neighbouring facilities over the next five years.

# Look for a fast Phones without frontiers can

A MAJOR operating cost for many companies, particularly one with several overseas offices, is the telephone bill. But do national and international phone tariffs actually affect the decision where to locate a overseas headquar-

Many find that, because of the growing international dere-gulation of telephone services n Europe, they can locate heir main office to take advanage of political or market-dicated conditions, while enjoying cheap telephone services by locating the hub of their network elsewhere — in a diferent company.

The telephone company of be Netherlands, for examples, promoting the low cost and igh quality of its services, to nable international companies to do just this. It cites the example of the Society of Worldwide Interbank Financial Telecommunications (Swift). which runs the international electronics payment network. Swift is headquartered in Brussels, but has one of its main telecommunications centres in the Netherlands.

This, points out Mr Hugh Small, European director of Arthur D.Little, the management and technology consultancy, raises the central issue of whether communications tariffs influence the siting of a headquarters, or just the siting of the communications facilities needed to support those new facilities.

It is the quality of telephone services, rather than the tar-iffs, that is more likely to influence the siting of a new offices, believes Mr Small.

He offers the example of a company that may not want to set up a huge, monolithic office. Instead, it may prefer to open an impressive front office in one of Europe's capital cities
- Paris, London or Rome but carry out all the back-office functions, such as data-processing and invoicing, from offices that are cheaper to buy and where wages are lower. It may even be essential, in order to avoid staff shortages. In this case, says Mr Small,

they need to site their headquarters in a country that has a facility called "direct dial in" - where an incoming caller can dial directly through to the phone extension of the person he wants to talk to. If the caller has to go through an opera-tor, it involves employing extra staff and also eliminates the convenience of colleagues being just an internal phone call away in the same building. Or a company may need to g facilities over the locate in a a country that has good quality and low-priced leased line services, to link the Paul Abrahams offices together. If that

involves linking huge, num. ber-crunching computer centres, then digital leased lines are needed.

Another technique for com-municating between offices is the use of satellites to transmit data backwards and forwards using small dishes screwed to the roof. But this sort of service - popular in the US - is only just being introduced in Europe. At the moment, the only European country allow. ing two-way phone calls to travel between these very small aperture terminals (VSATs) is West Germany.

In the early 1980s, the liber. alisation of the telecommunica. tions industry in the UK - it is still the only country with two public telephone compa-nies — was one of the factors luring many companies to the island, particularly those with heavy communications requirements. Mr John Wish ney, Director of Business Development for Electronic Data Systems, the computer and communications management company, says his company set up in the UK for just this reason.

Now, however, the UK's lead is being gradually eroded, with pressure from European bodies to harmonise the rules across the continent

In terms of services, many countries now offer a variety. Tariffs can still vary from country to country. In 1989, for example, a three-minute peakrate call to Japan cost the equivalent of \$5.5 from West Germany, \$6.57 from the UK, but \$11.80 from Italy, according to figures from the Yankee Group Europe, the high technology consultancy.

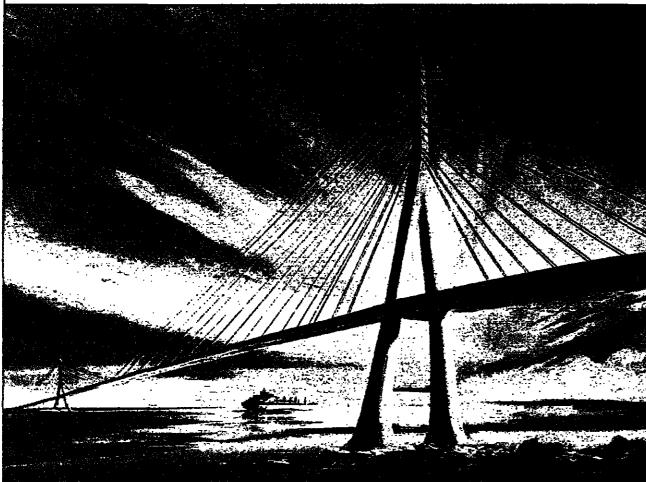
It is this tariff variation, combined with differing rates for private leased line services, which, believes Mr Small, still gives ample opportunity for "arbitrage opportunities", as he calls it, to companies wanting to cut their international

A classic example might be a Japanese company that set up a number of offices in Europe and wanted to contact them all on a regular basis. It could be cheaper for the phone traffic from several continental Ruropean countries to be sent across a dedicated leased line to a communications centre in the UK or Ireland, for exam and routed from there to the

The cost of a 2Megabit-per second line from Ireland to Japan is the equivalent of \$50.68, say the Yankee Group. The cost of the same circuit from Finland to Japan is the

**Della Bradsi** 

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## Property's labyrinthine way

AS THE EC internal market there will be more cross-border property transactions. These will have to run the gamut not only of fragmentary property markets but also of legal

Moves to bring continental order to national systems are not on the political agenda. Property is the forgotten sector of the 1992 programme. Few in the industry expect simpler cross-border transactions until the middle of the decade.

Companies expanding across borders, therefore, must accept that there are different attitudes towards what makes, for example, a binding agreement. in England, there is a simple exchange of signed contracts; but in France, Germany and Spain, a third party, usually a notary public, is needed to establish whether a contract is valid. In the Netherlands, an oral agreement is binding. Similarly, stamp duty or transfer tax varies sharply: 1 and 2 per cent in the UK and Germany respectively, but 12.5 per cent in Belgium and 18.6 in France. Value added tax varies

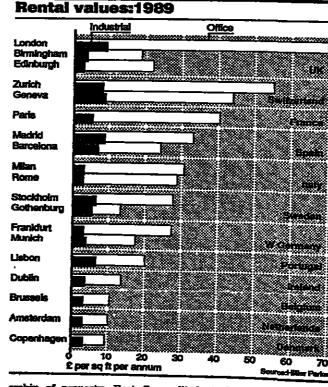
from 12 to 20 per cent. The position is further com-plicated by the uneven nature of professional advice available, despite moves to create a uniform system of property valuation, based on the guidelines of the Royal Institution of

Chartered Surveyors.

All these problems are compounded in eastern Europe. The movement from the planned to the market economy is inevitably being accom-panied by a redefinition of property law, to permit, if not private freehold ownership, at least extended leases allowing the occupier to continue busi-ness without hindrance.

While there appears no immediate rush to invest in Bulgaria and Romania, interest in the Soviet Union and the other countries of eastern

Europe is rising.
The Soviet Union has passed oint-venture laws and opened the way to the leasehold own-



ership of property. East Germany will be absorbed into the West German system of prop erty law, but not without the pain and argument associated with finding a solution to property claims dating back over 40 years. Czechoslovakia, Hun-gary and Poland are seeking to move their property law systems into line with a free enterprise economy.

Most companies seeking an expansion in eastern Europe will need to be satisfied about security of tenure. The evidence so far is that, in most countries, they will have to walt. Such is not the case elsewhere in Europe. There may be considerable bassle in coming terms with different practices, but this is largely a question of research, understanding and management time. Accommodation costs are

likely to be a relatively small proportion of total start-up costs. Figures from Hillier Parker, chartered surveyors, show that London is the most expensive capital in Europe for office space. But Noel Alexander Associates has also demonstrated that, in the case of a hard actablishing a graph of a bank establishing a small Lon-don branch, the actual cost of space accounts for just over a quarter of the first year's bud-get; it comes to just under 60 per cent of the total for staff

The proportion of total costs devoted to accommodation is likely to decline for a company deciding to stay away from the area of economic activity.

Malmo's office rents are less than half of Stockholm's; Marseilles' less than a quarter of Paris'; Valencia's roughly a third of Madrid's.

salaries.

The exception to this general rule is West Germany, where there is no dominant propertymarket centre. The country has a series of regional capi-tals, despite the significance and added cost of Frankfurt as the financial centre. And over the medium term, relative rental levels may change, because of the gradual opening

In the same way, office accommodation costs are likely to fall, the further a compa goes from the economic heart of Europe. The markets of Cork and Oporto are less freezied than any in that strip of territory running from the UK Midlands, through London, Paris and Frankfurt to Milan. Industrial rentals vary less sharply, though they too tend to be higher near the main con-urbations. The main determinants are likely to be com nications in general, and motorways in particular.

But industrial accomm tion costs will also be affected by the development incentives and tax allowances. The enter prise zones of the UK, with 100 per cent capital allowances and local property tax concessions, are one example. The tax concessions granted by the Irish authorities are another. Of all the property sectors, the industrial has the most distorted market. market.

Against this background of varied rental patterns is the flow of investment funds. Property is becoming more of an international investment. The Japanese movement of funds into London is a case in point International funds are being established in both Europe and the US to invest in European

property. investment flows may add uncertainty to the aire complicated calculation of bal ancing accommodation costs against the operationally most effective site. For certain sections of the market, the flows. are likely to make prices more

Paul Cheeseright

**EUROPEAN INVESTMENT LOCATIONS 3** 

Japanese investment

## Ca Prompted by a ne global outlook

manufacture and delivery. This consists of a Way Forward cam-paign, by the National Eco-nomic Development office,

aimed at encouraging makers to

be competitive in quality, price and service; an Emergrise initia-tive, to provide firms with

improved specialist advice on all

aspects of business activity, and

a Managing in the 90s program,

which stresses the importance

of design, quality purchasing

The Jetro survey provided

some evidence that the penfor-

mance of European parts-suppli-ers is improving. The average ratio of Japanese manufactur-

ers' local content for parts and materials rose to 67.2 per cent (for 277 items) from the 51.2 per

cent recorded at the time of

start-up (243 itams assessed). However, there was much varia-tion between industries.

In the precision industries, local content has reached only 55.3 per cent — up from a

start-up figure of 39.4 per cent — while in the general machinery sector, which at start-up recorded a 59.2 per cent figure, the total is now 67.5 per cent.

Progress was also reported by Japanese manufacturers in the localisation of management, with 70 per cent replying that the situation was improving, with local personnel promotions increasing in number.

The move into Europe is already proving profitable for

most Japanese arrivals: of 236 companies responding, 139 reported a profit in 1969; 41 broke even; and 56 remained in

deficit. In each of the three cate-

minor improvement on the pre-

gories, the figure repres

ment skills.

and supply and ma

nese manufacturing enter-s in Europe, carried out by Japan External Trade nisation (Jetro) reveals a nuing major influx of Japa-companies wishing to lish a presence, or expand

( loca:

operations, there. cording to the survey, h was carried out between ember 1989 and January year, the number of Japamanufacturers in the 18 tries of the EC and Kfta by 118, to a total of 529 panies, in the one-year d from January 1989 when revious survey results were

e most popular location nues to be the UK, which has a 132 Japanese compafollowed by France (95), Germany (89) and Spain

type of business, the largumber is in the electronic electronic equipment/parts (139), chemicals (33), gen-machinery (66) and trans-tion machinery/parts (38), e 270 Japanese firms that onded in the survey had an age paid-up capital of n, annual sales of \$61.8m, imployees and six expatriate

e most common reason by the companies for movnto Europe was a general strategies. Few described tegration in 1992 as being self a primary consider-Their most common for complaint was diffiin finding local sub-conors able to meet require s in terms of product y and delivery time.

e impact of these new als in Europe is already nse in a speech to Japa businessmen in Tokyo, in Mr Nicholas Ridley, the rade and Industry Secre-claimed that Japanese in Britain were creating jobs and making a major ibution to the nation's

also outlined the commerund social reasons that he dered were behind many choice of the UK as a ion. These included low r costs, a skilled worka welcoming environment ed by the Government be English language.

Jetro spokesman, Mr ki Yuoka, confirmed that nglish language and strong decisive factors behind the of many Japanese compan Britain, and added that use many R&D centres ty established themselves UK, particularly automoand electronics firms, -er firms and sub-contrac-nave often followed them

er of leading companies, ing Nissan, Sony, Canon sharp, to establish their ch and design headquarthe country. (Jetro's sur-trers now have 73 design es and R&D bases in he). In Nissan's case, a ite £31m technology cen-s been established for the and development of new es for the European mar-

particular encouragement

UK was the decision by a

Vissan spokeswoman in Ms Miyuki Abe, said the is for choosing the UK as erations centre included se of spoken communica-bundant human resources ne automotive industry, as automotive engineers cians and new university ates; and the fact that Nis-ad previously selected the s its principal source of

otive parts. mological expertise is also tor. Sharp Corporation is firm was establishing &D laboratories in the science park principally e Oxford is "at the foreof fundamental research ectronics, where excellent thers gather". Optoelecwill be a main research at the new Sharp facility. te survey, Japanese com-described local parts-sup-a an area of difficulty. whether they were conth local components sub-tors, 69.2 per cent said ere not, while the remain-re - a slight improvever the 76 per cent dissatn figure of the previous

main areas of complaint lelivery (cited by 36.4 per quality (34 per cent) and 28.4 per cent ). Asked r they were helping with pansion or improvement r local sub-contractors, out of the 90 responaid they were offering to. atisfaction with local upply was particularly in the electronics and cal equipment sector, 30 out of 29 offered a negnew; and in assembly ies, where only 15 out of · satisfied. message seems to be get-

rough. The British govhas announced a ount initiative to promote standards of component | Europe market. Mr Sakaguchi FOR THE first time, Brussels

Three European commission ers will host the conference, in conjunction with the Irish government, which holds the presidency of the EC until the end of this month. Some senior executives from international

sioner for regional policies, and is doing for the regions (there is a much lower level of under-

to enable investments to be efficient and make profits.
Business information will provide pointers to what Brussels should be doing.

The European Commission's

role in the regions has been much enhanced in the last five years. Spain and Portugal argued – successfully – that they would need special help in joining the EC, and there was recognition that the poorer regions must be helped to compete in the post-1992 single market. That regional role looks like being enhanced still further in the plans to achieve some form of monetary union.

European policy starts out from the self-edient premise that the regions are unequal in regions must be helped to comthat the regions are unequal in bidding for investment by busi-

ness. The problem is partly one

is inviting business investors to help the European Commission to help the regions of the

The initial step in establishing this consultative role for business will be the conference "Regional policies in the European single market - a new partnership with business", to be held in Dublin on Sunday and Monday.

companies will also speak.
Mr Bruce Millan, commis-

one of the architects of the conference, sees Dublin as having a dual purpose: to inform business about what Brussels standing about the European role than there is on national governments' policies); and to enable the Brussels bureaucrats to get a better feel for why business decides to locate in a particular area.

In the process of this two way exercise, Brussels wants to hear from business what it is that is needed in the regions

of distance from the geographi-cal core of the market,

Hazel Duffy previews a conference on EC policies towards the regions

# Business becomes a partner

problem may well be more psy-chological than real, says Mr Millan. The choice of location will depend very much on the

type of operation planned.
Special measures, like advanced telecommunications equipment, can make seemingly remote places very attractive. Industrial decline, and its devastation of certain areas, is equally a problem which the Commission, in confunction with the governments of the member states and regional and local authorities,

is trying to combat. It has two main instruments to help it. The first is the struc-tural runds, which will disburse Ecu60bn (948.5bn) by the end of 1998. The biggest is the European Regional Development Fund. Some money goes to companies investing in the regions, paid through national governments. But most is allocated to improve communica-tions, including telecommunications, and projects planned to enhance and diversify the economic base of an area.

Maximum rates of capital grant award in EC countries 15 - 20 NGEt France West Germany 12 - 18 12 - 23 West Germany: 45 - 60 17.5 - 26The Netherlands Portugal 20 - 7520 - 30 NGE

fund is supporting. There is also a fund which helps diver-sify predominantly rural areas, by introducing light industry and services.

The second Brussels instru-ment is the control of subsidies

Something has to be done to boost the attractions of the poorer regions. But the policy is not simply based on cash hand-outs. Business investment, from Japan, the US and the Far East, as well as by European-based investors, is its fruition

increasingly, the fund helps to provide small workshops and industrial units.

The Social Fund helps with training and social projects, designed to equip the workforce with modern skills. Most of the money has been paid in areas of industrial decline, and to ensure that the workforce will be there to operate the new hotels, convention centres new hotels, convention centres and ports that the regional

and aids meted out by national governments. The aim is to make sure the playing-fields are level. The method is to restrict aid to industry in prosperous areas, and, increas-ingly, to industrial sectors where there is overcapacity. Less advantaged regions are permitted higher levels of state

The two-pronged policy does not always make for the most

harmonious mix in the Com mission, one resting on straight-out intervention, the other on setting the framework within which market-forces

Mr Millan does not believe that it would be enough to leave regional policy to the latter. A former Secretary of State for Scotland in the last Labour government, he wants inter-vention where there is a need. "Prosperity tends to feed on itself," he says.

Something has to be done to boost the attractions of the poorer regions. But the policy is not simply based on cash hand-outs. Business investment, from Japan, the US and the For Fort at Tell cash. the Far East, as well as by European-based investors, is the fruition of the policy. They bring jobs and wealth, and their presence increasingly puts pressure on governments, and on Brussels, to further improve facilities in that

The current programmes.



supported by the structural funds, expire in 1992 in the industrial areas (Objective 2, in Brussels jargon) and 1993 for the under-developed regions (Objective 1). But Mr Millan will tell business leaders that he is confident they will be succeeded by new pro-

His own thoughts are veering towards a more radical solution, to make Europe more equal. Some form of redistribution of wealth between surplus and deficit regions, as part of a bigger Community budget, is one option that he thinks should be looked at "very seriously" by the inter-governmen-

The significance of the Duberence is that busin is being invited to contribute its thoughts on what it thinks the regions need.

#### Why Toyota chose Derby

### Cultural parallels and government support helped to land the big one

TOYOTA Motor Corporation's new car plant, at Burnaston, Derbyshire, entails investment of around £700m, making it the biggest single industrial investment of a foreign company in

First-phase operations will begin in late-1992, when it will produce 100,000 units annually of an 1,800cc passenger car and provide employment for 1,700

When the second-phase is complete, in the mid-1990s, output will rise to 200,000 units, and there will be a total workforce of 3,000. Local content of

'For Britain, we will ' essentially create a new management system, which will employ a mix of Japanese and UK styles, including such things as quality control circles'

the cars will be approximately 60 per cent at start-up, rising to a target of 80 per cent.
The plant will handle

stamping, body-welding, paint and plastics operations and assembly, and will be comple-mented by a £140m engine plant, handling machining and assembly, to be constructed at Shotton, in Clwyd, North The venture would appear to be timed to coincide with the

integration of the EC. But Toyota spokesman, Mr Jim Sakaguchi, says the linkage is not in itself significant: "The 1992 unification was not a big factor in our decision on the UK car plant. We would have made the move anyway, because we wanted to produce locally. And in reality it is not as if everything will change as if everything will change one day in 1992; it will be a gradual thing. Simply, we want our vehicles produced where the demand is."

The company's Furgosan

The company's European ties date back to December 1962, when it exported its first Crown models to Denmark. It began selling cars in the UK in 1965, when Toyota (GB), a wholly-owned vehicle distributor of the Inchcape Group, was

In January this year, it announced it had reached a basic agreement with Inchcape on the amicable purchase of a 51 per cent stake in the Toyota (GB) holding company (TGB). Under the £60m deal, TGB becomes the exclusive Toyota vehicle distributor for the next

18 years. Toyota's design and research programs will continue to be handled by its Epoch technical centre, in Brussels, which will develop models tailored to the

said that the company was hoping its expanded presence would help the firm keep up with consumer tastes and also eventually produce spin-offs that could can be applied to other markets around the

ber of reasons for choosing Burnaston, beyond its previous links with the UK. "Language was a factor, as was govern-ment support. Mrs Thatcher was most aggressive in invit-ing us, and we felt confident we would have the clear and full support of the British gov-

full support of the British government in the future. We also considered the industrial relations situation had improved."

Cultural similarities between the Japanese and the British also played a part. Mr Sakaguchi was "surprised to discover that the less direct negotiating style of the British is very similar to ours. In some ways. ilar to ours. In some ways, British people's way of commu-nicating is more similar to Japan's than to America's. On procurement issues, dealing with parts suppliers, getting hids, receiving estimates and so on, relations should be

smooth."

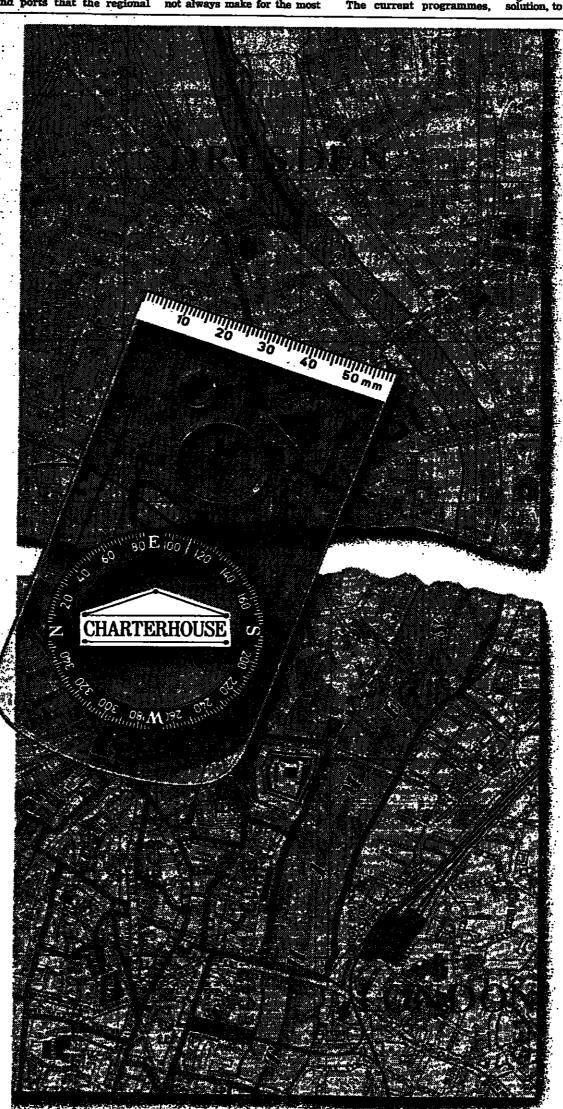
Experience in the US could prove useful in the UK start-up. "There, we established a hot line from the workshop floor to the personnel department," notes Mr Sakaguchi. "Workers could use this to ask any kind of question or make complaints, and tion or make complaints, and this could be applied in the UK

"But, for Britain, we will essentially create a new man-agement system, which will employ a mix of Japanese and UK styles, including such things as QC [quality control] circles."

Another feature of the pro-posed UK plant, common to the US, will be the virtual absence of the kanban, or just in time, system of component delivery that is widely employed by Toyota in Japan. In Toyota City, all the suppliers are clustered together, making the kanban system feasible. But in the US and Europe, parts-sup-pliers are widely scattered. However, the principles of efficient parts delivery will remain intact."

The company says it has also learnt much in the US about the importance of community ties. Toyota already has four Japanese staff in its liaison office in Derby, and this will rise to 10 or 15 when the plant opens. These people, together with British executives already being hired, will work through such channels as a "commu nity liaison committee" and local government, to ensure a smooth transition as the plant

Roy Garner



#### EAST EUROPEAN INVESTMENT

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#### A checklist for those choosing a new location in Europe

vices industries round Europe.

The higgest question is how far events in east Europe will

shift activity towards Frankfurt,

the obvious centre because of its

geographical location and Ger-

many's close ties with the East

- as well as the huge store of capital available from German

savers and institutions. This

should provide a hig boost to a city whose financial standing

"Most of east European devel-opment will be financed via the

German capital markets," pre-dicts Mr Barthold von Ribben-

trop, director in charge of equity

market operations at the Deut-

warn that the process will be

slow and difficult. Banks and

stockbrokers may not actually

make any profits out of east European business for a long

time, because of the shortage

THEY DO not like to be

called a US investment

bank at Salomon. They are

a global investment bank

which happens to be head-

The distinction may seem

a little grandiose, but it has

a particular relevance to

Europe, where Salomon

likes to stress its interna-

in Europe, most of them in London which acts as the

hub of the operation. There

are also offices in Frank-

furt, Zurich, Paris and Madrid, and, soon, in Milan. In

a bold step, in April, Salo-

exist mainly to handle mer-

Salomon has 920 people

tional connections.

sign of the times.

quartered in New York.

But German bankers also

industrial might.

never matched Germany's

A COMPANY based near Brussels airport has specialised for many years in helping clients to pick European sites. Plant Location International (PLI) was set up by Prof Marcel De

Meirleir, who now runs the European Regional Development Organisation, a forum

for bringing together international companies and regional representatives at its

annual seminar (this year, the globalisation of industrial investments is the theme).

Dr W. Vossen, managing director of PLI (since last year, part of Price Waterhouse), outlines the consultants' order of thinking in choosing a location. They may sound obvious, but it is surprising how often companies start somewhere in the middle of the list...

■I, Define the problem: For instance, does the investment need to be near the main company, near the marketplace? Is it really mobile; or does it, for example, involve dangerous substances. which cannot be transported?

m2, Prioritise likely future requirements: For instance, will an advanced

system for sending data be required?

m3, Define the location areas: This can be done negatively as well as positively, identifiving what an area does not have as well as what it does. If a drug manufacturer is planning

a research laboratory, it probably needs to be within 90 minutes of an international airport, to be close to a teaching hospital, and to offer a high qualify of life to prospective employees. ■4, Cost: This falls into

two stages - capital

investment and operating costs. The building and conjument utilities, transport and environment In calculativng the net cash nvestment in this stage, borrowing costs, tax incentives and import

considered. ■Finally, Dr Vossen lists the "intangibles" which every company should take into account. These include political stability

duties should be

in the country, education, and labour laws. "Location is about where', 'how much' and 'quality' - and the best location is a compromise between the last two." **Hazel Duffy** 

Frani	kfurt's	S	ta	rı	nay be	rising	in the	east
AS THE recent tussle over the iocation of the future European Bank for Reconstruction and Development showed, competi-	indicators of Euro			itres	size of the personal and institu- tional investment business have all been factors providing growth. Regulation has also	fiasco, and the growth of what many people see as an exces- sively burdensome regulatory machine, have also tarnished	cency.  The big unknown is the location of a future European central bank, a Eurofed. In Frankfurt the Germans see this as a	open a branch there, which turn would attract inter tional financial dealing a draw business away from L
tion among Europe's financial centres is sharpening all the	Private savings rate (%)	3	13	12	been strengthened, and an insider trading law is being	its reputation as a clean and flexible place in which to oper-		though, the UK would fight
time. The fact that London won	Market capitalisation of domestic companies (DMbn)	1,277	446	395	proposed. "The Anglo-Saxon style dom-	ate. But London's great strengths	capital of the EC - so much so	of the way.
may have reinforced the City's position as the EC's prime financial location — a position	Market capitalisation as % of GNP	90	20	24	inates, but the French are catching up fast," says Mr Jac- ques Rambosson, head of Bar-	workforce, deeply ingrained international habits, and huge	major disaster if it was located elsewhere.	Frankfurt would also f
which no other city seriously challenges. But other issues	Number of banks; of which foreign	550 320	400 · 250	400 260	clays Bank's operations in Paris. "The authorities, the	investments that thousands of banks, brokers, investors and		anxious about the concom
will increasingly influence the distribution of financial ser-	Percentage of workforce In service sector	66.6	53.7	61.3	players – everyone wants this to happen."  Mr Michel Francois-Poncet.		the together of a faiture	many, particularly at a ti when reunification will re

of hard currency in the former

Salary of bank cashie

after 10 years (DM)

Figures are for 1988

nmunist countries. The exception is East Germany, whose incorporation into the West German economy enlarges the market for financial services by 20 per cent at a stroke. But until East German companies are floated on the stockmarket, and East German corporate and private customers become more sophisticated, demand will be slow to grow.

Despite considerable mod-

ernisation of the German financial markets and the sharp growth in the stockmarket over the last year or two, Frankfurt still has a reputation as a clubbish centre dominated by the big banks - a place where companies can control 46,000 51,000 40,000 who owns their shares, and where the absence of insider trading laws makes some for-

None the less, Germany's improvements have definitely narrowed the gap between Frankfurt and Paris, a city which previously seemed to be London's closest challenger on

The strong determination of the French government to create a solid foundation for a healthy finance industry, and the eagerness of the French financiers themselves to become international has led to a sharp growth in activity in the Parls market. The modernisation of the stock market, the success of the Matif financial futures market, and the large

Mr Michel Francois-Poncet chairman of Paribas, the leading French banking and invest-ment group, also stresses the change in attitudes in the once chauvinistic French mar-ket. "You can't do this by decree. You have got to have internationally-minded people. And I think the French have accepted that you have got to bave an international pres-

Ironically, it may have been the fear that foreigners would take over the Paris scene that drove the French to change. A ments: "The French would react badly to foreign domina-tion, which is why we're trying so hard, it's a factor behind nodernisation." London's position has tradi-

tionally been so dominant that it can only lose out to all these changes. Recent events, like the local authority swaps

ties in Italy, but these are

modest beginnings.
The decision to open in

East Berlin reflects Salo-

mon's view that East Germany will provide the first

business openings in the East, though it regards it as

down its earnings from

Europe. Mr Jim Massey, the chief executive of Salomon Brothers International, the

London company, says:

"We make an important

contribution on the positive

side to the profit and loss

Staff have been told the

return on equity last year

was 20 per cent, which com-

pares with 14.6 per cent for

Salomon does not break

a long-term investment.

The big unknown is the location of a future European central bank, a Eurofed. The Germans see this as a potential clincher to their aspiration to become the financial capital of the EC, and would consider it a major disaster if it was located elsewhere

equipment and goodwill in the

City.

The key to its dominance lies in being home to the main international financial markets: the Euromarkets, foreign exchange, fund management. But like migratory birds, these can settle wherever is most congenial, which means that they could leave at any time. In a study last year, the Bank of England said this was unlikely because operators had made such a heavy financial commitment to London, London, though it warned that there were no grounds for compla-

(symbolised by the solid Bundesbank building on the city's outskirts), the dominance of the Deutsche Mark, and the major role played by German capital. The Bundesbank has also invested heavily in market infrastructure. The central bank of the state of Hesse, where Frankfurt is located. handles 80 per cent of all DM business, and well equipped to take on a major role in the development of European currency systems, says its president Dr Karl Thomas.

Were Eurofed to be in Frankfurt, every important bank in

the world would be obliged to turn would attract international financial dealing and draw business away from London. Precisely for that reason, though, the UK would fight the choice of Frankfurt every inch-

Frankfurt would also face political obstacles from other EC members who would be anxious about the concentration of financial power in Germany, particularly at a time when reunification will reinforce its economic dominance By the same token, though, the By the same token, though, the Germans would resist.
Eurofed's being put in London or Paris, which is probably why it stands a good chance of ending up in a compromise location such as Luxen or Amsterdam, both of which have financial centre amhitions of their own.

From a practical point of view, this would not make a big difference, because a Euro monetary policy would still have to be implemented in the markets, mainly Frankfurt and London. But if it does come about that way, it would reign force the present evolution of the EC financial structure towards an international centil tre in London, supported by regional centres on the confe-nent serving the local needs of companies and investors.

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#### Profile: Salomon

## The London cavern is the hub for Europe

mergers and acquisitions, and corporate finance. says Mr Nick Bedford, the head of European equities.

mon became the first Wall The centralisation of Street firm to open an dealing in London is imporoffice in East Berlin, truly a tant, because it provides the liquidity needed for a London is home to Salosuccessful operation. But mon's European dealing-Salomon prefers to deal room, a cavernous space with local partners in the above Victoria Station individual country markets, through which the bulk of because they tend to know its European trading is conthe landscape better. "The ducted. The other offices wishes of our Spanish clients can be very different chant banking business: from those in Germany.

is in the process of buying a 5 per cent stake in Salo-The two institutions are

Salomon's closest partner in Europe is Istituto San Paolo di Torino, one of the leading Italian banks which mon. Salomon will buy a similar cross-shareholding when San Paolo becomes a publicly quoted company. working on M&A deals and the distribution of securi-

the group as a whole. This is the result of some serious surgery which Salomon applied to its London operation two years ago, to slash staff and costs. Some parts of the business are still not as profitable as Salomon would like, particularly on the securities side, but Mr Massey says they are "lean". He now hopes to boost the feeearning side of the business, where several top M&A staff recently left to

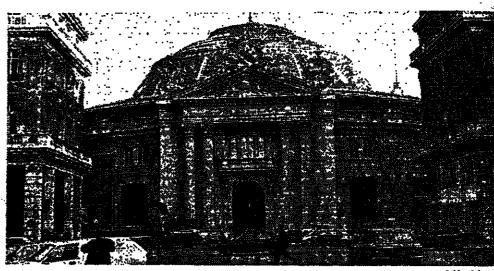
set up their own firm. In some ways, Europe provides a bigger challenge to Salomon than the US, because things are changing much faster. "We have to monitor the regulatory environment closely, to anticipate change and be flexible enough to change ourselves. If we have made mistakes, they have been because we have not changed fast enough in the last few years."

Half of the eight-man European executive committee now consists of British people, and Salomon recently recruited Lord Young, the former trade minister, to join its main board.

**David Lascelles** 

#### The challenge from Paris

## New weapons for the global fray



WITH THE abolition on January 1 of its last exchange controls, France took the final step in the rapid modernisation its financial markets

Among European financial centres, Paris may not yet match London, but as a rival it

is gathering stature.
A policy of deregulation, carried through by successive leftand right-wing finance minis-ters, has provided France with the tools for international financial operations: formal stock, bond and futures markets; liquid interbank markets in short-term instruments; foreign exchange and derivative products; and now free capital

Given the "congenital gradualism" of monetary authorities
- as Mr Michel Camdessus, then governor of the Bank of France and now managing director of the International Monetary Fund, was to term it the pace of change was extraordinarily swift.

At the beginning of the 1980s, 44 per cent of total credit passed through special govern-ment-regulated procedures, rather than through the mar-ket, and what remained was subject to strict quantitative limits. Bank analysts counted 54 different varieties of subsidised loan, many of them allotted as a monopoly to an indi-vidual bank or institution. Some of these subsidies and monopolies survive, but even where they do, they have dwin-

dled to tiny proportions.

Paris's financial markets have been overhauled, and in the process injected with new life. The money market counted FFr1,281bn (\$229bn) of outstanding short-term instru-ments - Treasury bills, certifi-cates of deposit and commercial paper - at the end of April, compared with FFr305bn at the end of 1986. A Bank of France survey last year also showed daily turnover averaging \$26bn in the Parls foreign exchange market - less, per-haps, than London, but dou-bled in the space of three

More complex derivative products have also developed: the Bank estimates that there are FFr500bn of foreign exchange options outstanding, for example, FF75bn a month of caps and floors, with liquid-ity as good at 10 years as at six months, according to Crédit Lyonnais, the state-owned commercial bank, and a thriving covered warrant market developed principally by Societé

Générale, the privatised bank. become the largest in continental Europe, found a new lease of life, mostly on the back of the Treasury bond sector, which counts FFr10bn a day turnover, but also with parastatal and private-sector state and private sector issu-ers. This resurgence has been helped by new procedures, such as monthly Treasury bond auctions, the Saturne

cash against delivery settle-ment system and the highly successful Matif 10-year notional bond futures contract. Equities, meanwhile, have recovered strongly from successive market crashes. With the SBP index reaching a new record last month, trading vol-ume averaged FFr3bn a day in

the first three months of the

Here, the institutional change has been even more striking, as the corbeille, the old trading, disappeared symbolically, taking with it the old status of agent de change, to be replaced by the CAC electronic trading system and stockbrokers for the most part owned or controlled by big banks.

The stock exchange, too, has started up this year a new totally dematerialised settlement system, Relit, which makes many London brokers

The strength of the Paris market draws to a great extent on the strength of its institutions; and here, too, great strides have been made. French banks and insurance companies have been flexing their muscles with a series of foreign acquisitions, backed up by sharply improved profitabil-

The mutual fund business meanwhile, is the largest in Europe, with FFr1,339bn under management at the end of March, according to statistics from the Europerformance database, more than half of it in money market funds.

Yet senior French bankers admit that Paris does not offer the same depth of talented and experienced personnel as London and New York - a fact pointed up in the fund management sector, where Société Générale, Indosuez and Crédit Commercial de France have bought UK fund manage companies to boost their equity management expertise, but which also affects some other market segments.

But as Mr Philippe Lagay-ette, deputy governor of the Bank of France, points out,

Paris's development as a financial centre has been inextricably linked with the healthy expansion of the French econ-

"Financial globalisation is a fact of life, but that does not break the link between financial activity and the real economy; a financial centre depends on the soundness of its economy and the soundness of the main currency in which business is conducted," Mr Lagayette concluded at a recent conference

George Graham



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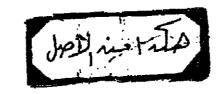
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#### **EUROPEAN INVESTMENT LOCATIONS 5**

The UK: events in east Europe may shift the goalposts, and yet . . .

## 'You don't walk away from 55m people'

WHY, IF you were a multinational, a Japanese, US or German company looking to expand, would you think of the

It is, after all, an island geographically on the periphery of Europe, and still to be linked physically to the continent. It had also, until the mid-1980s, a particularly bad reputation in many major industries for poor industrial relations and low productivity.

There are two main reasons why you might consider UK as vestment location.

■In the first place, it has a large population. Ireland has only 3.5m people, but there are nearly 60m in the UK. Any major international concern has to think about the UK. Motor-cars are a case in point. Britain imports nearly half the cars sold each year. If the major companies do not manufacture in the UK, they more or less have to be involved in either assembly or

Mr Paul Tosch, chief execu-tive of Vauxhail Motors, which is a subsidiary of the US General Motors, said recently that even in the worst days of the late 1970s and early 1980s, when the UK plant was losing a lot of money, GM did not seriously consider abandoning the UK altogether: "A market

of 55m people is not something you just walk away from, whatever the problems

Vauxball, at Luton, is now involved in assembly, notably of its successful Cavalier model. The company is now very profitable and regarded as a key component of GM Britain, however, apart from

being a market in itself, is also a piece of the wider European saw, the EC market of 400m. With the approach of the internal market in 1992, multinational companies from the US and Japan have looked at Europe more keenly than before. The 1992 label can be misleading. There is no evidence that Europe is about to become any more "fortress Europe" than it is already, or that it will lock out Japanese and US concerns. However, the prospect that it might has has-tened investment decisions in

Japan has become the big international investor in the 1980s, partly because the strong yen means to take man-ufacture and assembly to the markets has become economically sensible. Britain has done

particularly well.

There seem to be two basic reasons for this. One is the English language. The Japa-

nese speak few foreign lan-

guages. If they have a second often found they had to con-language, it is usually English, cede more in terms of holidays or just possibly German. The romance languages they are usually not adept at. Therefore, as with the Americans, who preceded them as international investors, the Japanese appear to find that having an English-speaking country as a Euro-

pean headquarters has its advantages.

■ The second major reason for looking to the UK as an investment location is what the Japanese often call "condi-

British labour may not be as cheap as Portuguese or Spanish. But after recent trade-union legislation and the recession of the early 1980s, it is considered more pliant and more disciplined

tions of employment". British labour may not be as cheap as Portuguese or Spanish; but, after the trade-union legislation of recent years and the recession of the early 1980s, which meant unemployment in traditional industries, it is considered more pliant and more disciplined. Foreign companies setting up in Britain have been agreements and no-strike

Japanese concerns looking at Germany or Holland have or working conditions than in the UK.

Once the UK has been chosen, a location within the country will depend on four factors: munications; the availability of labour (especially skilled labour); the cheapness of land or buildings; and, to a decreas ing extent, the level of subsidy available.

Of course, it depends on what the company is involved in. There is little point in a

stockbroker going to the Highstockoroser going to the high-lands; it has to be in London, Similarly, a motor manufac-turer would hardly go to Bris-tol, which has become a white-collar city.

Nissan has settled in the north-east, Toyota in Derby-shire, and Honda in Swindon and Wales. In all these areas, there is access to motorways or airports and there are ch greenfield sites. In all, there has been high unemployment, with a pool of male workers usually with engineering or other skilled backgrounds. Significantly Liverpool, which continues to have, rightly or wrongly, a bad industrial relations image, has not landed a major foreign investor in recent years (if one excludes General Motors' decision to manufacture engines at

Ellesmere Port). Certain areas do still offer ducements. There is the Scottish Development Agency, the Welsh Development Agency, the Highlands and Islands Development Board, the Rural Board for Mid-Wales. Usually, bowever, the assistance offere is to offset the disadvantage of

poor location or lack of labour.
Subsidy of any kind, though, is being phased out in the South and increasingly in the North. Most towns now have to pro-

mote themselves on the other factors, notably location and availability of labour. Almost all British towns and cities have economic development units and promotion agencies, aggressively selling themselves to get domestic and foreign investment. They extol the virtues of their industrial estates and business parks.

Many towns in the Midlands,

such as Redditch and Telford, have attracted investment, particularly from abroad, because of a history of motor manufac

car components manufacturers have set up in these towns.

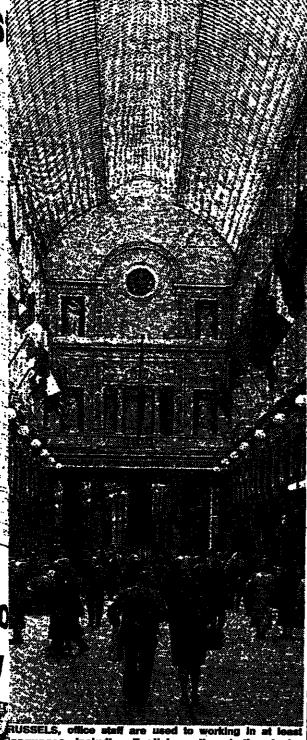
There are 34 Japanese concerns in Milton Keynes partly because of the Milton Keynes Development Corporation, but largely because of good communications to the

Midlands and London. Electronics companies, many of which are US subsidiaries, have set up in the Thames Valley towns of Reading and Slough because of Heathrow Airport,

As towns around London, such as Reading, Slough, Cam-bridge, and Peterborough fill up, become short of labour and generally more expensive, relocating companies are looking further afield as far as Coventry where B1 office/factory accommodation can be found for £12 a sq ft compared to £20 in Bristol and £27 a sq ft in Slough. Perhaps even Liver-

pool might have its day. On the other hand, with the collapse of communism in east Europe, the goalposts on investment may have changed. As one influential economic development officer put it: "If I were a Japanese company, I wouldn't be looking at Britain any more, I'd be looking at Hungary or East Germany."

Stewart Daiby



anguages, including English — though the rivalry Flemish and Francophone puzzles and sometime

Brussels - capital city

## Newcomers relp fuel the **bld euphoria**

50s and early 1970s are the golden years". of US multinational ies set up headquarters telgian capital.

the next 10 years, for-restors lost their appe-high public spending es tarnished the counage. But Belgium's ecorecovery in the h to 1992 has revived a the old euphoria. of those now flocking els - and fuelling the boom - are smaller ousinesses, in the fields teting, financial seregal, public relations

ying. nost, access to the ngly powerful institu-the European Commu-notably the European sion - and other interorganisations is an re. For some, the game legislation being dis-for others, the goal is to influence what

it at the end. the rebirth of the EC nt phenomenon, Brus-Atinues to benefit from the advantages that i US multinationals vears ago as they eyed s opean market. Until ged Europe, the Belital is still the main is of the continent. untry's good transport tably wide and solidly

ted motorways, pro-y access to London, nsterdam and Frankrby Antwerp is one of I's biggest ports. m's industrial workraised for its skill and rity. In Brussels, office used to working in at ec languages (includslish), though the etween Flemish and hone puzzles and

debit side, the state unications service is r criticised, as incompanies wait for new sonal taxes are high can standards, though rument has tried to jome of the higher

es frustrates foreign

ment financial incenof stand out by Euroandards, with one t exception. This is led co-ordination cenh entitles multinaporations, including aned ones, to acquire

major tax advantages for activities involving: publicity, supply and collection of information, insurance and nce and scientific reinsurance, scientific research, relations with national and international authorities, centralisation of accounting activities, adminis tration and data-processing financial transactions and exchange rate cover, plus activities of a preparatory or helpful nature for companies in the group.

Co-ordination centres pay only a flat tax base, detered on a cost-plus basis, provided they meet certain employment conditions. Dividends, interest and royalties naid by the centre are exempt from withholding tax; contri-butions to capital are exempt from registration duty; and the centre benefits from exemption from rates on the lease value of its property assets. No deduc-

The city continues to benefit from many of the advantages that attracted US multinationals 20-to-30 years ago

tion needs to be retained on the interest paid to the centre by banks and other financial atibotions

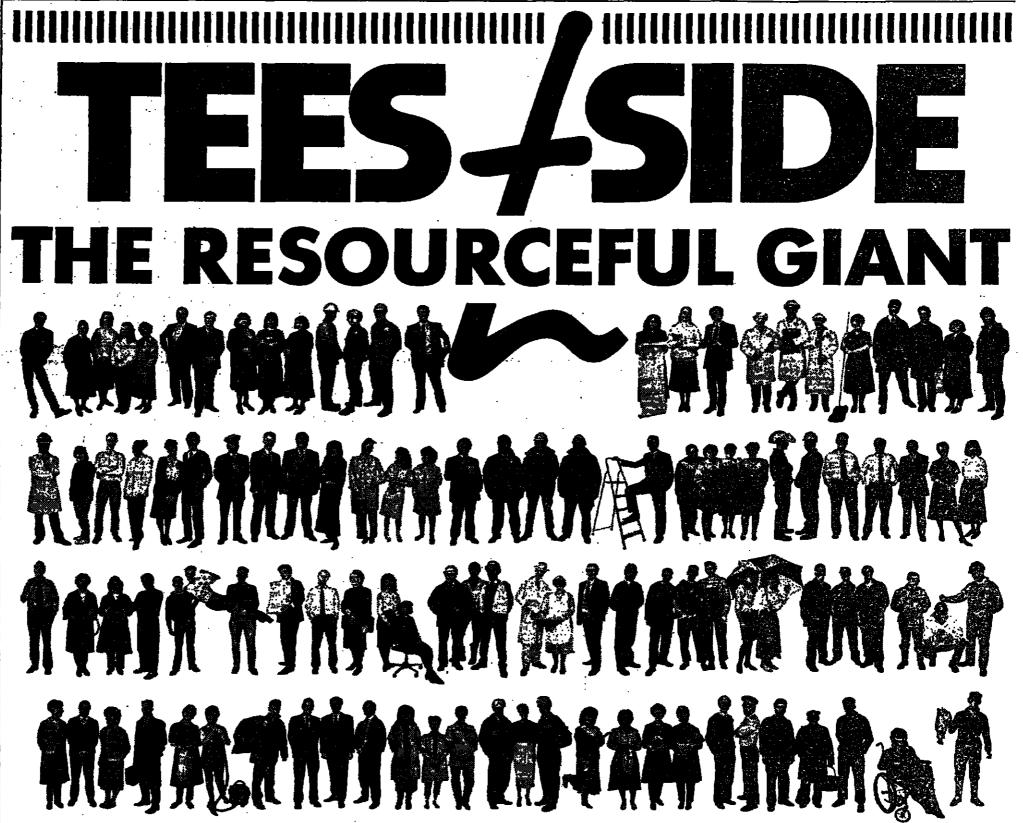
Government figures last month showed that there are now 213 approved co-ordina tion centres in Belgium, with 54 planned. The incentives have inspired envious comment from Dutch government officials

Yet the benefits in the centres were reduced in March, when the Government decided to lower the deemed tax credit from 25 per cent to 10 per cent the same adjustment that it made to the rate of withholding tax on bonds and bank

Mr Patrick Kelley, a spokes-man for the American chamber of commerce in Brussels, says that the effect of this is to reduce the incentives available "under one possible construction for investment in fixed

interest.

But he points out that the changes have had no real practical consequences for those multinational groups wanting to set up a financing vehicle or a regional headquarters.



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France

## A change of view

OFFICIAL POLICY towards foreign direct investment in France has undergone a complete revolution in the past five

In the time of President de Gaulle, a quarter of a century ago, it seemed with good reason that the Government's main objective was to keep out foreigners. Industrial xenophobia remained almost as strong even under his more international successors, and when the Socialists came to power, they too seemed to determined to erect as many obstacles as possible.

The revolutionary turn towards an entirely opposite approach started in about 1984, when the Socialist Government swung round to a policy of economic liberalism, and it gathered pace as a result of the signing of the Single European Act and the prospect of an entirely liberalised European

Today, France has one of the more liberal regimes towards foreign investment. New direct investment by companies from other countries in the European Community has been without restriction for some years: such investment by companies from outside the Community has been unrestricted since the later half of 1988; acquisitions of French companies by non-EC companies are still subject to the the time-limit within which the

Switzerland West Germany

Netherlands

France

Government must either object or approve, which had been interminably long, was last year shortened to one month. The reason for this turn-

around is that the current Government has concluded that foreign direct investment is good for France, because it is good for the French economy. And industrial investment is especially welcome, because it is looked to as one way of closing the trade gap.

French industry, it is said, has difficulties on the trade front, because it provides too small a share of the French economy, around 20 per cent of GDP. Other countries with small industrial sectors, such as Britain, Italy and the US, also have trade problems; but those with large industrial sectors, including Germany and Japan, notoriously do not.

The change in French policy has been accompanied by a fairly steady increase in the flow of new industrial invest-ment into France. At the end of the 1970s, foreign investments were creating some 7,000 jobs each year, last year, the figure rose to nearly 14,000. reover, the average size of each new project has tended to get bigger - 90 jobs last year, compared with only 60 a few years ago.

In practice, the French have found that foreign companies tend to be above average in dynamism and performance, and therefore have been mak-

Productivity compared: mid-1985

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Value of

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ing an increasingly positive contribution to the French onomy. From 1975 to 1987, the share of foreign companies in French industrial employment rose from just under 18 per cent to 21.6 per cent. But their share of French industrial turnover rose from 21.6 to nearly 27 per cent; and their share in exports (for which no figure is available for 1975) amounted in 1987 to just under

American companies are by far the biggest and oldest national group of investors in France, and their performance appears to be particularly strong. A recent Ministry study shows that between 1978 and 1988 their share of French industrial value-added rose from 27.5 to 30 per cent, and their share of exports from 26.5 to 34.5 per cent.

West Germany is the second most important source of industrial investment in industrial investment in France, followed by Switzer-land and the UK, which are in turn followed by the Benelux countries. Japan last year came fourth as a source of direct foreign investment, behind America, Germany and Britain; even if Japanese companies take seriously the new policy of openness of the French Government, it will take them a while to catch un with their US and German

competitors.
In terms of industrial sectors, the American companies

Wage costs per unit of value

of production

100

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83

107 101

Value of

100

per wage unif

Source: Dresdoer Benk's analysis of the toet of lebour and productivity in inchestry. In the main industrialised countries (West Germany = 100)

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more heavily represented in such consumer goods sectors as shoes and pharmaceuticals than in such intermediate goods as base chamicals and rubber or in mechanical engineering. British industrial companies in France are heavily concentrated in various parts of the chemicals industry.

Areas of France which have been most successful in attracting foreign companies are those immediately round Paris in the Ile-de-France, where foreign companies account for 24 per cent of industrial jobs, significantly above the national average; and contingent regions in Haute Normandie, Picardie (where the foreign share of industrial jobs is over 30 per cent), Champagne and Bour-

gogne (27 per cent). Alsace remains one of the favourite regions for foreign investors, no doubt because of its geographical proximity to t Germany and the rest of the European market. But the traditional industrial areas like Nord and Lorraine have remained successful contenders for new foreign investment, while the Centre region has improved its rating as a location for foreign investors

By contrast, the regions in the south, south-west and west have been much less successful in attracting foreign direct investment. In Britanny at last count foreign companies provided only 9 per cent of industrial employat, and in Corsica the figure

was under 6 per cent.
In contrast with the bad old days. France actively solicits foreign direct investment. which it aims to attract by active canvassing in other industrial countries. The main channel for the canvassing is Datar, the regional development agency, which has four offices in the US, two in Japan, and one each in Britain, Germany, Switzerland and Italy. Naturally, a large part of Datar's objective is regional development; and last year it was comparatively successful. since it managed to attract 60 per cent of the new investment to the less-favoured regions in

the west and south-west. In these development areas FFr35,000 for each new job cre ated, up to a maximum of 17 per cent of the total fixed assets; or in the most deprived areas, such as Britanny, the Vosges or the Massif Central, the incentive can rise to FF150,000 per job, up to 25 per cent of fixed assets. In addition, local authorities

in development areas can remit the business payroll tax for up to five years; while in the three new Enterprise Zones of Dunkerque on the Channel, and La Clotat and La Seyne on the Mediterranean, which started in 1987, companies are exonerated from corporation

tax for 10 years. Datar finds that, when terms tive investors suggest that the financial incentives are all that matter; but afterwards, compa nies admit that they look at a whole range of factors. So Datar argues that the most valuable incentive it provides is as an enabling agency, pros-pecting for sites and labour and housing, etc.

But government officials also claim that French finan-cial incentives are perfectly transparent and above board and legal in the Community context; not, they add, like some countries in the EC, such as Britain, Italy and even Germany, which give too much. What is needed, they say, is for a harmonisation of EC investment treenties. ment incentives.

KENT

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len Davidson

Profile

## **Talking** business in the Alps

THERE PROBABLY isn't a single town in the French Alps that does not claim it is at the crossroads of Europe. Mayors, from cities like Lyon to small towns like Albertville, in the department of Savoie, are busy setting up parks, in an attempt to attract

But Archamps, a small commune in Haute-Savole on the border with Switzerland, renowned for little except its role during the second world war as a jumping-off point for Jews trying to escape over the frontier into neutral. Switzerland, has a better claim than many to the title of the crossroads of Europe.

The commune is situated at the crossroads of two motorways. One motorway heads north, round Geneva and Lausanne to Germany; and in the other direction south down the Rhône valley to Marseilles and Spain. The other stretches east to the Mont Blanc tunnel, the Aosta valley and Turin; and west to Lyon, Paris and Brussel As might be expected, next to the motorway intersection

at Archamps is an international business park, where 60,000 square metres of new buildings are in the process of being constructed on a 40 hectare site. The plans include a 36,000sq m world

Mr Michel Glever, marketing manager for the park, is enthusiastic about the prospects for the park. Besides its situation next to the motorway, the site is also only 7km from Geneva in Switzerland. A by-pass arou Geneva, expected to be completed in 1993, should provide 15 minutes access to the airport there. Its location in the

department of Haute-Savoie provides advantages and disadvantages, admits Mr Glever. He says that the snow and poor travelling conditions during winter; but he stresses that communications in the artment are excellent, and that Archamps is less than an hour from well-known ski stations such as Flaine and La Clusaz. That, together with the possibility of sailing on Lake Geneva and mountain-walking during the

recruitment easy. The department is the second most in France after Paris. Mr Glever also points to the infrastructure that is being put into the park. France Télécom and the International Business Park are installing a double fibre-optic network system into all of the

summer, should make

uildings on the site. A research centre is also being set up.
Another advantage of locating in the French Alps is the low labour cost.

Dresdner Bank estimates that

wage expenses per unit of value of production in France are among the lowest in Europe. A number of companies from outside the EC, including Japan, the US and Switzerland, have already located at Archamps. They include, says Mr Glover, Japan Engineering Computer, Unident of Switzerland and DEC, the US computer

REIMUT JOCHIMSEN, the Economics Minister of North

Economics Minister or North Rhine-Westphalia, is not just talking loquacious politician's

language when he expresses the hope of "a golden decade" for the syrawling state, which has struggled hard to shed its old heavy-industrial image.

The state still has its coal and state industrial industrial

and steel industries, and the Ruhr area is still an important

part of West Germany's economy. But coal and steel have undergone immense and painful changes in recent years, as has the engineering sector which is now far more high technology-oriented after the particular effects of course.

restructuring efforts of compa-nies like Thyssen, Mannes-mann, and Klöckner-Hum-

NRW, governed by the Social Democrats, who are in

Social Democrats, who are in opposition in Bonn, has also made its environmental prob-lems work to its own advan-

"We have over three times

the population density of the other big West German

states," says Mr Jochimsen. "So the environmental difficul-

ties were dreadful. But now,

we have more than 1,000 com-

panies that make a living from

away from the old "workshop" image, he adds. The Ruhr is not the whole of NRW, which

spreads as far eastwards as

Aachen, as far to the south as Bonn, the Federal capital, and

The state has striven to get

environmental technology."

Paul Abrahams

West Germany

## Sound but expensive

THE ATTRACTIONS of West Germany for foreign investors are easy enough to name. So are the drawbacks.

On the plus side, Germany is a large and prosperous market with a well educated population. Its workers are among the best trained in the world, capable of handling the most modern equipment, and turning out products with a worldwide reputation for quality.

As consumers, the Germans demand the best and expect to pay for it. These are some of the reasons why direct foreign investment in Germany has grown to around DM100hn (\$60hn).

In addition, the country is about to unite economically, a development which is expected to propel the economy along even faster and give new oppor-tunities to domestic and foreign investors. Turning round Eas Germany's economy and rebuilding its infrastructure will be an immense and challenging task, posing huge problems and risks for its citizens and those

who employ them.

At this stage, now that the initial euphoria has died down. it is far too early to tell how the rebuilding of East German infra-structure and industry will proceed and who will benefit. Even West German companies have tempered their initial eagerness over prospects in the East with a more realistic dose of caution as the true, grim state of East Germany's economy has become

Thus, for foreign companies, it is still West Germany that draws their attention as a potential site for investment. Since political union is expected to follow not too long after monetary and economic union, it will not matter in the end which part of the country companies choose

for their operations. One reason given for the decision of Britain's Rolls-Royce to participate with BMW in an

The decision by Ford of the US, to switch its \$380.5m investment in engine production from South Wales to

Cologne, was a clear vote for West German quality and reliability

aero-engine venture near Frankfurt was the development of economic force with the opening up of East Germany.
So what about the problems

of investing in Germ one thing, it is not cheap. Labour costs are among the world's highest, and include a wide range of fringe and social benefits, for which employers have to foot the bill. Germans also take long holidays, and are used to much better working conditions that in many other countries. And the co-determination law entitles many of then to a powerful say in how contain nies are run.

310

radition

Moreover, they are tends work shorter hours. Nowal the 35-hour week is coming into tries, employers are stringso offset the higher costs times greater working flexibility and more shifts. Some employers complain that competitors Japan have the advantage in the more working hours over period of several years in this to improve and develop their products, a contrast heard sin-cially often in the car industrial

Even so, German comma seem more than capable of hold ing their own in most in sectors. The decision by Ford of the US, to switch its \$8050 investment in engine production from South Wales to Cologne, was a clear vote for West German quality and reliability. Ford said it could not rely on supplies from British plants

Ford also, presumably, had the exciting new prospects in eastern Europe in its sights. These will obviously be a powerful attraction for foreigners. A strong base in Germany will for many companies, be an easily tial part of their stratesy in meeting the opportunities of both the EC internal market and the slowly and awkwardy emerging economies in eas

**Andrew Fisher** 

Frankfurt faces an exciting challenge, but ....

## Old ways may endure

INNATE conservatism does not always pay off, and the tra-dition-laden: German financial community will have to change if it is to meet the audacious challenge issued recently by the mayor of

Frankfurt.

"What New York is to the United States," he said hopefully, "Frankfurt will be for... Europe ... The noisiness with which

many as a financial centre) is being promoted is a recent phenomenon. In contrast, for instance, to the Bank of England, which has always taken its promotional duties on behalf of the City of London seriously, the Bundesbank has traditionally seen its role as stopping at defence of the Deutsche Mark. And the West German government has, in the past, been positively obstructive – notably in the ratastrophic muddle over withholding tax just over a year

Now much more attuned to how far Germany has slipped benind in the race to build an internationally pre-eminent financial centre, the authorione at an open door. Mr Karl Otto Pöhl, president of the Bundesbank, has complained. "From the discussions about what must be changed in the Bundesrepublik... I sometimes get the impression that, with us, the question is phrased the opposite way around. How can the status quo be maintained, at any price?"

Germany is a net importer of

financial services. The power of its financial sector is absurdly emasculated, com-pared with the strength of the real economy. The stockmarket capitalisation of the western world's third largest economy amounts to only 5 per cent of the global total. Frankfurt's share of bank cross-border lending, at 4 per cent, is lower than that of Paris (5.5 per cent)

let alone Tokyo (14 per cent) or London (16 per cent). A signifiproportion of the trading of D-Mark denominated debt and equity securities takes place not in Germany but in

Paradoxically, Germany has many of the prerequisites to be Burope's leading financial cen-tre. The D-Mark is the most important international reserve currency after the dol-lar. Post-war stability, with inflation only once above 6 per cent, is a model for every other

iropean country. And its population is sitting on the conti-nent's largest pool of savings. Meanwhile, changes in the political and economic landscape virtually demand the Stockmarket

capitalisation of the west's third largest economy is only 5 per cent of the global total

rapid advancement of the Cerman financial sector - while also posing the danger that old structures and habits will be reinforced rather than

European union could be turned to Germany's advan-tage. The Bundesbank has hinted that it hopes to win the siting of the proposed Eurofed on German, not British, soil. Yet the prospect of a single market in goods and services has unleashed fierce competition between European centres, and Germany will not as a matter of course pull ahead of

the pack.

Also, the rebuilding of eastern Europe, not just East Germany, will enhance the role of the D-mark, and place considerable demands on the country as international capital flows are redirected towards the East. A lot of money will need to be raised, and it would happen more easily were, say, the domestic bond market a more

modern place. At the same time, the inevitable upherials, particularly the tension in East Germany as the Deark and the social market economy take root, could lead to-a retrenchment, and a reviewed reliance on the safety of exist-

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THE COLUMN

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ad factors and the

Early to Many Marie A

Some changes are already in train. The biggest boost to Frankfurt recently has been the burst of energy in the German equities have lengt to the forefront of international portfolio managers' minds. Consequently, a number of firms, notably Barclays de Zoete Wedd, a major British broker, plan to set up a Frank furt operation.

There are also signs that

some of the antiquated structures that have indirectly driven business abroad may be phased out

The days of the regional stock exchanges are numbered at least for mainline stocks. IBIS, a centralised electronic quote system that is to be upgraded to a trading capability, by the end of the year, is even being promoted in Europe as a potential competitor to

The Deutsche Terminborse, a computerised derivatives exchange, opened in January to trade 14 blue-chip equity options, and will be expanded to include futures from Sep-

Three government or government agency issues recently by-passed the consortium that has previously monopolised iment with an auction system similar to overseas issuing

practices.
The turnover tax, which has smothered the development of staple domestic money market instruments such as certificates of deposit and commer cial paper, is to be abolished at the beginning of next year. However, winning back busi-Continued on facing page

IF YOUR BUSINESS ISN'T IN KENT BY 1993. IT MIGHT AS WELL BE HERE. Kent. Superb communications with Europe and the rest of the UK. Air, road, rail and Kent. Send for our brochers today, and

advantage of the single European market in 1992.

Location of the channel turnel terminal in 1993

Profile: North Rhine-Westphalia

## Changes in the air

north-east beyond the small towns of Güteraloh (headquar-ters of the big Bertelsmann media concern) and Bielefeld.

Apart from such obvious foreign investors as Ford, in eign investors as ford, in Cologne, and the concentra-tion of Japanese trading and financial interests in Düssel-dorf, NRW has been successful in attracting a wide variety of non-German companies.

As the European Company

As the European Community moves towards the inter-nal market in 1993, companies from Norway, Sweden and Fin-land are now setting up in NEW so as to have a more central European base central European base.

Other big German concerns

also have significant operations in the state, the biggest industries of which are chemicals (Bayer is based there) and engineering. Signers the electrical groups mens, the electrical group which has its headquarters in Munich in the south, is heavily represented, and has now taken over ailing Nixdorf Computer, based in Paderborn, in eastern NEW. Opel, the car company owned by General Motors of the US and based hear Frankfurt, also has a plant in Bochum, right in the Ruhr.

Apart from areas like Anchen, now undergoing a drastic reduction in its coalmining, NRW does not offer any particular incentives to new investors. "Scotland has much more favourable terms," much more rayourable terms,"
says Mr Jochimsen, pointing
out that NEW puts more store
by its highly-developed scientific, research, educational,
and communications infraetructure. "We are not trying

and communications infra-structure. "We are not trying to compete on cost but on the potential for innovation."

With around 17m people, NRW has as many inhabitants as East Germany, with which it has strong trade links, The state is the fourth largest in state is the fourth largest in state is the fourth largest in West Germany, has the biggest economy, and is the largest exporter. Within a radius of 500km, the range of a day's truck journey, more than half the purchasing power of the RC can be reached. Foreign investments in NRW total investments in NRW total some DM25bn (\$15bn), around

a quarter of the figure for the whole country.

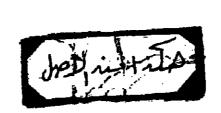
With the West German economy on a strong growth path and about to receive an extra sing about to receive an extra stimulus from East Germany, Mr Jochimsen sees a bright future for NRW. It is this which prompts him to talk of "a golden decade". The state's economy is advancing strongly, with all sectors best fitting.

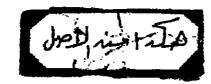
The shift away from heavy industry has not been without hardship, especially in steel. Job losses have been considerable to the steel to the steel. able and unemploym a problem, as eisewhere is Germany. But new jobs have also been created. More than 60,000 new companies have been set up in the last three years, including over 12,000 in the Ruhr, the main towns of which are Duisburg, Essen, and Dorimund. However strenuous the efforts of the NRW Govern

ment in promoting and coordinating the various restrat-uring and investment projects around the state, little could have been achieved without a commitment to change in commitment to change by companies.

Now that the conservative liberal Bonn Government has stopped turning a hind eye to NRW's problems, the state has a chance to rival the rich states of Bayaria and Ba Würrtemberg in the south

Andrew Fisher





#### **EUROPEAN INVESTMENT LOCATIONS 7**

Late-starting Italy has some catching up to do, as . . .

south was more culturally

closed until the last 30 years.

Moreover, the absence of effi-cient financial markets and

financial services has, in many

cases, impeded foreign penetra-

These were operating 1,656 pro-

According to data compiled

# Olitical doubts deter Japanese

PACE of foreign tment in Italy has so ened over the past three that the media and some clans fear that key sectors e economy may be falling

foreign control. wever, most indices sugthat foreign penetration of n manufacturing industry services has a long way to afore it begins to match in other leading Euro-

most reliable informais incomplete. But snap-of the situation in 1987, subsequent more detailed toring of mergers and sitions, suggest that for-investment is being deteri by the same imperatives

One of these is the process of global restructuring in sectors such as telecommunications, heavy plant engineering and pharmaceuticals; as companies seek the appropriate dimen-sions, specialisations and markets which can sustain rising research-and-development and

capital-investment : costs.

Another is the opening of the European Community's inter-nal market, which has trig-gered a similar search in financial services and most industrial sectors for larger dimensions and competitive strengthening through crosshorder investments.

It has been a relatively late

by R&P Ricerche, for Business International, only 1,200 Italian manufacturing companies were either controlled by multina-Italy has started further behind, for a host of historical, tional investors or numbered them among their minority cultural and structural factors. shareholders at the end of 1987.

developer as an industrial nation which, in the fascist years, sought autarky rather than interdependence. While the industrial north was, and is, a sympathetic host to foreign investors, the centre and south was more culturally. duction plants, employing 455,000 people with a turnover of L82,000hn (\$750n).

This added up to a signifi-captly smaller presence than in other leading industrial economies. In Italy, foreign investors accounted for 11.8 per cent of the industrial work-force, compared with the UK (14.8 per cant), West Germany (15.8) and France (18.6). Even larger differences apply when seas by Italian companies, when measured as a proportion of the domestic workforce: 8.3 per cent, compared with the UK (22.9 per cent) France (19.7)

Again using the employment measure, the sectors that have

control are electrical engineer-ing and plant and mechanical engineering. Both accounted for 10.4 per cent of "foreign" employment. They were fol-lowed by electronics and telecommunications (10.21 per cent), pharmaceuticals (8.72) and "white goods" (7.65). But in 1987 no foreign invest-

ment had found its way into artificial fibres manufacturing, while Italian aerospace accounted for only 0.08 per cent of employment under foreign control.

US companies lead the way among investors in Italy, accounting for 30 per cent (360) of the companies with foreign participation in their shareholdings, 34 per cent of employment in these compa-mies and 42.5 per cent of this category's total turnover. West Germany came next at the end of 1987, with 14 per cent of employment, followed by France with 12.9 per cent, Switzerland with 12.7 per cent and the UK with 11.1 per cent. In the last three years, Italian symmetric between

ian governments have greatly lamented their apparent failure to win their share of Japan's growing overseas investment. Indeed, Japanese companies have shown minimal interest in one of Europe's most boomin one or kurope's most boom-ing economies; partly, they say, because of language prob-lems, but more because of what they perceive to be the instabilities of Italian politics and a business culture that is not particularly welcoming. The most recent figures for the Japanese fiscal year 1988-89 did show, however, a virtual dou-bling of investment in Italy, raising the number of compa-nies fully or partially con-trolled by Japan from 12 to 27 and the value of investment from \$59m to \$108m.

This static picture of foreign investment can be built upon by statistics on mergers and acquisitions. Monitoring of M&A by KPMG Peat Marwick indicates that the number of investments in Italian compa-nies by foreign capital leapt from 68 in 1987 to 177 last year. Twenty-two were in the engl-neering and electrical engi-

neering sectors, followed by 20 in food, 18 in chemicals, 13 in financial services, 12 in banking and 9 in insurance. In engi neering, food, chemicals and insurance, more than half the operations involved acquisitions of full control; while in banking and financial services, the proportions were below 20

John Wyles

CAN A small country some distance from western Europe's major business and financial centres realistically compete as an investment location for non-European companies. Portugal's experience sug-

certain conditions.

Foreign investment in Portugal has roughly doubled each year for the past four years, to reach a record Es355bn (\$2.4bn) in 1989. Another big rise is expected this year, with several large projects under discussion with major groups from the US, Japan and Korea as well as from Recent as well as from Europe.

gests that it can - given

The fact that Portugal started from a less-developed base has spurred investors. who see the country as offering new opportunities as it strives to modernise and to catch up with its European partners.
The lure of the "southern belt"
may have abated in response
to developments in eastern Europe, but, for some of the world's multinationals, Portugal remains an attractive location as a low-cost producer with a peaceful industrial cli-mate, good financial incentives and a pleasant environment. A Government committed to the free market, and eager to attract foreign investment, provides further encouragement. Though most investment has

come from the EC (about 65 per cent last year), and has gone into the financial, services, tourist and real-estate sectors, a large proportion has gone into manufacturing. Among these were large investments by Ford and General Motors last year, secured in the face of strong competition from other European sites. Ford moved first, announce ing in July an Es22.3bm investment for a new plant in Setu-bal, to produce car audio equipment - the group's first audio component plant in Europe. Mr John Tome, Ford Lusitana managing director, says the plant will produce

about 2m car radios and CD players a year, almost all of which – save a few thousand for the domestic market – will be exported to other Ford plants in Europe.

In December, GM's electron-ics division, Delco Remy, announced an Ess.4m investment in a plant, also in Setubal, to produce 500,000 electron-ics ignition systems units a year. As with Ford, GM's pro-duction will be mainly for

export.
The two projects will create about 2,250 new jobs and, as their production will be exported, they will help to reduce Portugal's troublesome trade deficit. Ford, for example, has committed itself to produce a net foreign exchange balance (value of exports minus the value of imported materials and equipment) of

Ford and GM point the way in Portugal

A low-cost location

Es35bn for the period 1992-95.
The Government hopes that these companies' example will encourage others to chose For-tugal. Once GM and Ford had decided they wanted to establish new plants in the EC, a combination of financial and other factors came into play.

Mr Dan Roberts, who led GM's study and negotiating teams, says: "First there was the availability of technologies and skills; second, the success of other GM operations in Por-tugal; third, the long-term com-petitive position." The last was a crucial factor, at least as important as the Government's provision of financial incen-

The incentives go away, but you have to be competitive in the long run," Mr Roberts says. Low labour costs, good produc-tivity, and a virtually strikefree environment in the private sector gave Portugal an edge over possible locations in eight other countries.

other countries.
Industrial wages in Portugal are among the lowest in Europe, and are between half and two thirds of those in neighbouring Spain. This makes manufacturing in Portugal, to sell in the much larger and easily accessible Spanish market, a worthwhile option, says another foreign executive.

This does not appear to have been a consideration for GM or Ford, but securing free access to the whole of the EC was. "We see 1992 not just as opening new markets but possibly [resulting] in the erection of new barriers," Mr Roberts says. Portugal's campaign to be a "gateway" to Europe may be paying dividends. Financial incentives were

also important, as without them neither project would have gone to Portugal. Ford received grants representing 52 per cent, and GM about 45 per cent of the total investment. Portugal is short of skilled engineers and technicians, and training grants were essential for both companies. At least one fifth of the grants were

designated for training. Portugal's position on the south-western edge of Europe, often perceived in Lisbon as a drawback - especially with the emerging competition from eastern Europe – acted in its favour, "Southern Europe is where there is a lot going on in the motor industry. It's where there is the greatest growth potential. Fears about eastern Europe are understandable, but one thing is the promise of the east and another is what is actually happening in the south. Companies tend to invest where there is growth and a sense of dynamism," Mr

Tome says.
But in the end, an invest ment decision depends on more than one consideration. Mr Tome says: "There's never really one deciding factor. [Portugal] is a good example of a combination of factors, not least a good chemistry between negotiators on both sides."

### The big challenge ahead of Frankfurt

ness is very different from cap-turing it initially. For example, Germany's slowness has allowed D-Mark derivative products to get a firm hold in London, and to a lesser extent Paris, and their presence has in turn attracted a good deal of

the associated cash market. Moreover, the German financial marketplace has never been innovative. Its universal banks might argue that their financial muscle obviates the need for new ideas, and that many instruments are invented by investment houses that are not allowed to extend credit. They could also argue, justifiably, that many of these innovations have proved a disaster. However, the diversity of the London or New York markets is an attribute, the importance of which is hard to deny.

Nor will the developing East German market provide a cata-lyst for new and sophisticated financial products — what will be required is the simplest banking instruments. Despite official denials, the fragility of the emerging system could indirectly hold up liberalisation, as a mood of renewed con-

Katharine Campbell

## Profile: Lombardy - 'which doesn't have to offer incentives' radition and economic strength

'iTALY'S richest region, unting for about a third of country's gross national pardy has also attracted

foreign investment.

cise figures are hard to

clish, because Lombardy

intrates on promoting its exports rather than larging others to move in ace the lack of an office or on responsible for inward tment at either regional ovincial level, notes Mr tantino Corbari, of the camere Lombardia, the n-based organisation
groups all Lombardy's
bers of commerce.

ere are no generous tment and relocation s, or tax-breaks, which ommon in the less develregions of southern Italy. bardy doesn't have to incentives," says Mr
1 Clezy, director of the based British Chamber

mmerce for italy.
the absence of financial
ement has not deterred of the biggest companies rope from choosing Lom-as their home. The reatre the region's economic th - providing a ready t on the doorstep - and justrial tradition he past, skilled labour in industrial mentality not hard to find. More-Lombardy benefits from cation at the northern

of Italy, conveniently

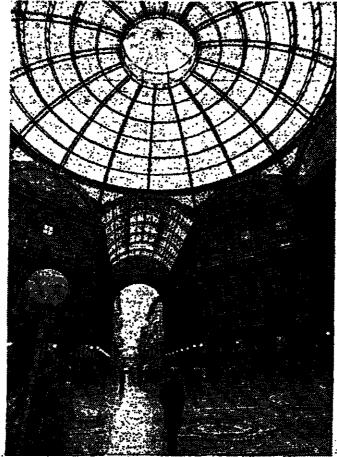
and West Germany.

Communications are good, with three major airports -two of them in Milan. And road and rail links are also of a high order, especially the motorway through the San Gottard and San Bernardino tunnels in Switzerland to the north.

Not only Milan, but also the string of smaller cities that surround it, offer the financial services and lifestyles that are magnets for foreign companies.

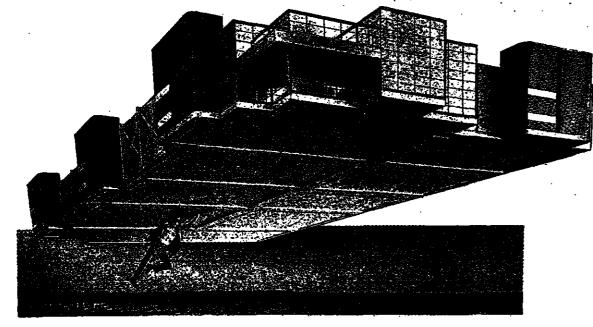
Yet Lombardy's industrial strength is arguably its greatest problem. Skilled staff are increasingly hard to find. In the wealthy province of Ber-gamo, 30 miles east of Milan, there is virtually full employment, so that the small-to-medium businesses that are northern Italy's economic backbone find qualified labour scarce. Moreover, labour costs are high. Milan is among the dearest cities in western Europe, and appreciably more expensive than Rome.

So, irrespective of the attracso, irrespective or the attrac-tions of investing in Lombardy, foreign companies know that they have to pay the price. Geography and infrastructural factors mean that many ser-vice and distributive industries need be in Lombardy. But newer industrial ventures available elsewhere. ...



Halg Simonian Milan is among the degrest cities in western Europe

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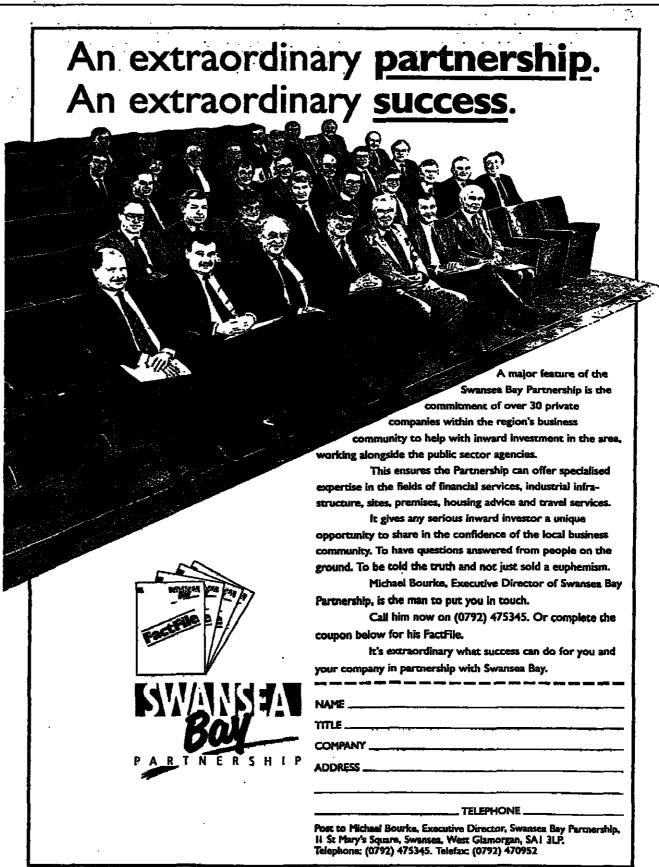
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CENTRE

In Spain, says Peter Bruce, Madrid has been the main target

## Easy — if you use experts

FOREIGN investment has been the biggest single factor in Spain's economic boom in the last four years. Companies have flooded in since it joined the European Community in 1986.

Manufacturers have made cheap acquisitions; Spanish consumers have been eager to buy most of what has been put in front of them; and foreign financial services companies have alighted upon a populace desperate to be treated as clients, not victims of their domestic banks

Spain in 1986 was being run text-book fashion by bright young people with US business degrees. About Pta6,000bn (\$58bn) in cash was swashing about the economy untaxed, and laws governing takeovers were extremely helpful.

One popular ruse, used during the sale of Antibioticos to Mon-tedison or Chorizos Revilla to Unilever, has been to make a rights issue so large that it dwarfs the current shareholding. The buyer then acquires the rights, while the seller holds on to the now-impotent original shares. Capital gains tax is only payable, though, upon sale of the original shares, which the sensible Spaniards normally frames and hangs on an office wall.

That route has been partly closed, though it is still open to companies trying to enter the stockmarket for the first time. Nevertheless, as the consumer boom in Spain fades a little, it is worth asking whether the Span-iards who have sold out to foreigners may not have got the

botter of the deals. The Government has also been accommodating. Not investment or acquisition - from the sale of the country's two main vehicle producers Seat and the truck-maker Endesa to German buyers to the small takeover by

to settle. The Government, though, has been trying hard to encourage investors to move to areas of high unemployment or those hit by its industrial reconstruction of the structure of t struction closures scheme in the mid-1980s. Regions like Andalucia, Galicia, the Basque Country and Asturias all offer, with cen-tral government assistance, aid packages to investors.

building a \$2.5bn plant near the

naval port of Cartagena, after having been provided with free

land by the regional government and a promise that Madrid and

local government will make up a third of every dollar the com-

pany spends.

In Asturias, Du Pont, the chemicals group, has just announced plans to build a \$2bn

plant. Ford chose to place its

new \$200m car electronics plant near the Andalucian port of

Cadiz, after withdrawing the

in financial services; or Barce-lona, where industry has tended

Buying a Spanish company has been made simpler by the arrival of US and British investment bankers. They charge as much as they do in their home countries, but can ease fears that the cheap fruit canner with the 20 per cent market share in the fastest-growing region is not itself

a British company last year of a heat treatment operation near Madrid - has met arguments of

But the pattern has been bro-ken this year, with signs that the Industry Ministry is unhappy about the prospect of British Steel taking over an important Spanish producer of structural steels, Aristrain. The deal, if it ever existed, is unlikely to come

Most foreign investment has been targeted on Madrid, mainly

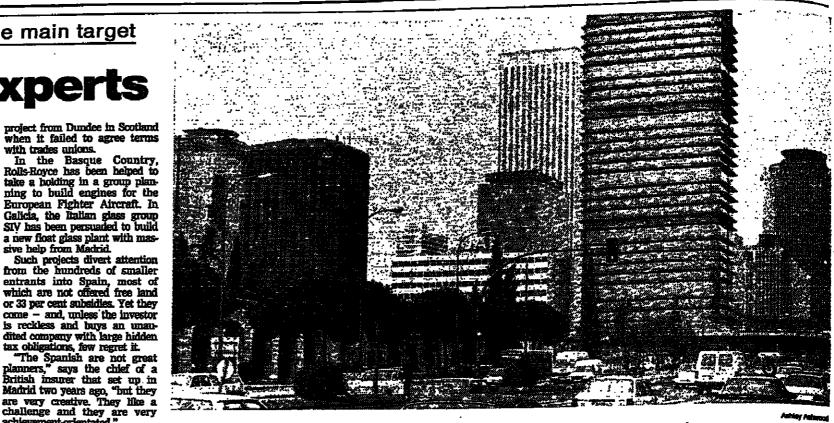
European Fighter Aircraft. In GE Plastics, for example, is

Galicia, the Italian glass group SIV has been persuaded to build a new float glass plant with mas-sive help from Madrid. Such projects divert attention from the hundreds of smaller entrants into Spain, most of which are not offered free land or 33 per cent subsidies. Yet they come - and, unless the investor is reckless and buys an unau-

with trades unions.

tax obligations, few regret it.
The Spanish are not great planners," says the chief of a British insurer that set up in Madrid two years ago, "but they are very creative. They like a challenge and they are very achievement orientated."

But Spain is extremely expensive. Office space in Macrid can cost up to \$60 a square metre; a business lunch for two in a rea-sonable Madrid restaurant, \$200; a three-bedroom apartment in a quiet part of the capital, at least \$2,000 a month. The telephone service is bad, and many busi-nesses in Madrid are still working with portable phones months after arriving. These problems



The new high-rise commercial district of Madrict office space in the capital can cost up to \$60 a square metre

Actually buying a Spanish company has been made much simpler by the arrival of US and British investment bankers. They charge as much as they do in their home countries, but can normally ease fears that the amazingly cheap fruit canner with the 20 per cent market share in the fastest-growing

egion in the country is not itself a lemon.
"In all the deals we do, tax hability is often a major factor for foreign investors," says an American banker with long experience of Spain. "It is not usually a deal breaker, but people often don't anticipate just how big that number can be." So far, the compensation has

heen good prices. Most of the available acquisitions are family companies, and, says the banker, "because there is so little information available about their companies, they are not in a position to auction them. So deals are not that competitive." But even the price picture may be changing. Some bankers in Madrid believe that compa-

nies bought in the first wave of foreign takeovers since 1966 may soon be coming up for sale again, and that this time prices

will have risen.

Provided investors have sound legal advice, one of the big eight accountancy firms and efficient secretaries, Spain is an easy place in which to invest and do business.

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## Land deal revives a benighted landscape

SMALL province anywhere in Europe is lia-ble to feel intimidated, as it bids against dozens of others for a factory being promised by one of the world's industrial giants. Has the company ever

heard of you? That was the problem facing Hilario Alarcon two years ago, as General Electric considered 19 sites in Spain for a \$2bn plastics plant that would, over 15 years, create almost 2,000 direct jobs. For Mr Alarcon and his colleagues, such an opportunity rarely comes more than once.

Mr Alarcon is managing director of the Instituto de Fomento de la Region de Murcia, the industrial development agency of one of Spain's least appreciated but must attractive Mediterranean provinces. A sprawling rich-brown place studded with striking green places, Murcia lies between the regions of Andalucia and Valencia, happy to

belong to neither. But it has also been a poor place. The people aretraditionally farmers or have worked in food-processing. Today, much of the region is farmed under plastic, providing Europe with year-round fresh fruits. The people are richer and the region is growing.

Mario Armero, legal coun-sel to GE Plastics in Spain and the son of a lawyer with vast experience of helping foreign investors, remembers immediately liking the team from Murcia. "At the end of the day," he says, "these deals are not just about money. The people at the development agency were incredibly efficient and capable." Murcia got the GE deal.

The regional government found the company a piece of land near the ancient port city of Cartagena, and went through the torturous task of buying its 600 hectares from 110 owners. Anyone who has bought

Murcia, a sprawling place, between the regions of Andalucia and Valencia, was chosen by General Electric as the site for a \$2bn plastics plant

property in Spain will appreciate what that implies. A little later, when GE said it wanted to increase the investment from \$1.6bn to \$2.5bn, the patient Murcianas went out and bought the Americans 750ha close by. In addition, Madrid and Murcia had promised GE subsidies worth 32 per cent of their investment.

Mr Alarcon does not mind being left with an empty 600ha on his hands. The Levant is growing quickly, and this land is going to be day.'

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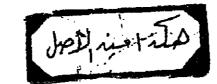
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The outlay by the local government has probably been worth it. The plant once it is running, will transform the industrial landscape around Cartagena, largely abandoned by business. An old refinery and some fertiliser plant in the area are bad pollut-ants, and the Government hopes that GE's environmental impact study and an environmental responsibility study (an assessment of conditions on the ground, before the plant is built) will set a new ecological tone for the region.

Cartagena, Spain's big naval base, is a huge natural and deep harbour. Its people are friendly and smart, and property relatively cheap. Mr Alarcon regrets that he cannot offer all potential investors free land, but Murcia's other advantages, including good road and air links and some excellent beaches, may be some consolation to new arrivals

Peter Bruce

#### FINANCIAL TIMES SISSOCIETATED SINCEYS February 19 THE NORDIC REGION & 1992 February 19 RHONE ALPES March 27 ITALY April 17 RELOCATION April 26 **FLANDERS** May 8 REDRAWING THE MAP OF EUROPE June France .kme DENMARK September GERMANY October The FT also pu



#### FINANCIAL TIMES SURVEY

## **NEW SOUTH WALES**

CTION IV

Tuesday, June 5, 1990

LABOR PARTY had a le message for the voters ustralia's recent federal ion: "Don't let the Liberals one to New South Wales." is a potent slogan which ed Mr Bob Hawke, the r Prime Minister, win an ecedented fourth term in

al government. contrast, Mr Nick Greileader of the governing ral/National Party coali-in NSW, is beginning to like a one-term Premier. ader of the only conservastate government in Aus-4. Mr Greiner was bound a major target for Labor's my and effective advertis-But it has been his misforto have embarked on a samme of reform at state

just as Australia appears

slipping into a recession ed by the Federal Govern-to curb an overheated > original Greiner plan aged cuts in the public es to balance the budget, ined with efficient manent and micro-economic on which would allow a lcant give away to the before the next election. a 1992. But the national ted the state's tax reve-to the point where the Government's whole Cally looks like coming ck, and thoughts of a

ection tax cut may have abandoned. Greiner legitimately smuch of the pain on federal Government. has cut transfers to the 1988 while pursuing a nock A\$580m off stamp

evenues this year.

an also claim that his mic efficiency prole has been hampered by the control of the contr State Parliament, which is a tovernment does not concern by a levertheless, the signs the voters are unlikely ympathetic, especially if likely. In spite of the ms. the Greiner proit comment a leader of d conservative opinion. th it remains out of step ie more cautious federal



**New South Wales** has a dominant role in the political. intellectual, cultural and business life of

Australia. But the State

Government, which has a bold programme of reforms, is running into problems, reports Kevin Brown

## Now the toll begins to tell

Liberal Party. Its failure would have enormous implications for Australia, because it would demonstrate the truth of Labor's claim that radical reform can only be imposed in this bureaucratic and corporat-ist country from the political left. It is that perception which has underwritten seven years of Labor government at federal level, and put Labor into power in five of Australia's six states. If Mr Greiner fails, many Australians will conclude that Labor is now the natural party of government, and that could put the conservative parties into the wilderness for a gener-

What happens in New South Wales matters more than what happens in other states because of its domination of the political, intellectual, cultural and business life of the country. The state is home to 5.7m people - more than a third of the population - and accounts for more than a third of the country's gross domestic product (GDP) and manufac-turing output.

Sydney, the state capital, is a colourful, sprawling, brawling metropolis of 3.6m people the biggest city in Australia -which is the headquarters for most of the top 100 companies and home to most of the foreign companies operating in Australia. Mr Greiner says he came into office in 1988 detercial management to the state after what he saw as 12 years of Labor mismanagement, and to reduce both the role of government in the state economy, and the expectations of govern-

ment among voters.
"It is a revolution by any standards — a systemic change in the role of government and the expectations that people have of it," he says. "But it has been politically difficult. The norm for success at state level is to do nothing with a fair amount of style, or to encour-age development at any price. We have tried to do something

The Greiner revolution started with dramatic changes in the bureaucracy as the state employers in the world to put senior public servants on performance-related contracts which removed their security

Financial controls have also been shaken up by a resource allocation and control pro-gramme which has identified the exact location and value of state assets, with some surpris-ing results - such as the Education Department's discovery that it owned 300 more proper-ties than it thought. However, it is the reform of the publicly-owned rail, bus and port industries which has

provoked most opposition,



Sydney: the state capital and Australia's biggest city, has a population of 3.6m

especially among the trade unions, to whom the Greiner Government is anathema. Baird, the Transport Minister, the depth of inefficiency in the

According to Mr Bruce public services was breathtak-ing exemplified by the State Rail Authority station at Narrandera which employed 11

staff to drive trains which no longer existed, three to drive the train crews to and from the non-existent trains, six to sell a total of five tickets a day to passengers, and six more to

relieve the others. The Greiner prescription has been a thorough shake-up of organisations, together with clear commercial objectives, sales of under-used or underperforming assets, and job cuts to reduce the wages bill. The Government has been

ss successful, however, with the other main plank of its smaller-government policy -

management, and privatisation. The model here is the privatisation programmes pursued successfully by the governments of New Zealand and the UK, but NSW does not even look like approaching the scale of disposals in those countries. So far, the only sales have been an investment com-pany, the Government Printing Office, a brickworks and some abattoirs. There are also plans to sell half the coal mines operated by the state-owned Electricity Commission.

Progress on corporatisation has been even slower - only the Grain Handling Corporation and the State Bank have so far been re-organised, although there are plans for the Government Insurance Office and the Electricity Com Despite its difficulties, the

Government has not run out of ideas. There are plans for pri-vate toll roads to improve the relatively poor road infrastruc-ture, major bills for the reform of industrial relations and education are currently before parsecured agreement in the Upper House for a redistribution which will reduce the number of MPs by 10 in the name of fairer representation

- Labor calls it 'a gerryman-

But the toll is beginning to tell, and Labor leader Mr Bob Carr is beginning to make progress with allegations of financial mismanagement of projects worth A\$257m, including a A\$60m scheme to stage the next Australian motorcycle grand prix in Sydney. Mr Carr has also found an audience for claims that the

premier has allowed total state debts to rise by A\$6bn to A\$52bn, in spite of a promise to cut the total. The Government points to other indicators, such as a fall in the debt as a percentage of gross state product from 20.2 per cent in 1988 to 16.5 per cent last year. Nevertheless, Mr Greiner admits that the political costs

of his reform programme have been heavy, and that he proba-bly under-estimated them. As its political problems deepen, his Government's boast that NSW would be one of the Asia/ Pacific region's "Tiger Econo-mies" of the 1990s, begins to sound a little hollow.

IN THIS SURVEY

more cautious now. Insurance industry: merger plans blocked. City profile: at home on the plains ...... Page ... Page 2



Nick Greiner: he blames the Federal Government

Sydney: Australia's financial centre — a gateway to Asia and the

plans.

Steel Industry: recovery under way...........Pages 4-5

Company profiles.



Bob Hawke, the Labor Prime Minister. ■ Tourism industry: upsurge of overseas 

☐ Editorial production: Michael Wiltshire ☐ Pictures by Glyn Genin and Ray Bashford

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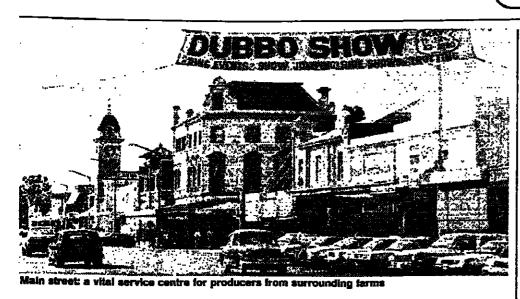
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TAKE THE ADVANTAGE IN THE 'STATE OF BUSINESS', NEW SOUTH WALES, AUSTRALIA.



Dubbo, a prospering regional city on the move

"Anger over police cuts,"
"Violent taxi rank 'must go,"
"Businessman outrage" and
"Where is the law and order
now?" were the headlines dominating the morning newspaper
last month after the state conlast month after the state gov-ernment announced reductions in city's police force.

Foreign visitors reading the adlines could have believed they were in the crime capital of Australia, rather than in an Plains of New South Wales. In this politically-conservative city with a population of 30,000, the reduction by 16 in the size of the city's police force was seen by citizens as irresponsible while Dubbo tries to deal with social problems

decade of rapid expansion. perity built on 172 years of wheat and sheep growing in the 200,000km² of surrounding Orana (Aboriginal for tranquil-ity) farmland is more evident

than any urban unrest. of other towns in the area. such as Gilgandra, Gulgong and Coonamble, is a centre for leading national retailers, banks and merchants. The rapidly growing residential area is ming the site for the Australian urban dream – a brick veneer house on a quarter acre block of land.

THE SENSE of confidence that pervades Dubbo was not reflected on the front page of the Daily Liberal, the city's reach 40,000 by the end of the

His confidence is principally based on the city's unrivalled geographic position which allows it to lay claim to the title of capital of inland NSW. Located 414km by road west of Sydney, Dubbo has always been the centre of the state's

This combination, which thrives on an average annual rainfall of 22 inches, and forms the rump of the state's agricultural output insures the city against the vagaries of weather and international commodity

mixed wheat and sheep grow-

Farmers from the large catchment area use Dubbo for the bulk of their administra-tive, banking and domestic

supply needs.

The worst floods in the area coupled with depressed wheat prices are concerning producers, but the resilient spirit of the Australian farmer flows in the city.

industry through decentralisation from Sydney has caused much of the recent expansion. This process is still in a formative stage, but it is likely to continue with Mr Gerry Peacocke, the local MP and the state Minister for Business and Consumer Affairs, being a strong advocate for relocation in the area.

ock of land. Mr Slattery argues that The population has trebled Dubbo's location also places it

At home on the plains

between Melbourne and Brisbane passes through Dubbo while the routes west from Sydney to Dubbo links up with the expanses of the state's

restern areas. The establishment of the state's biggest export orien-tated and fully integrated sheep slaughter yards is a prime example of how the local government intends to dev businesses which dovetail with the area's rural base.

There are also plans to build wool scouring and processing operations to add value to the local product before export.

The open range Western Plains Zoo houses 2,000 aniand is one of the area's main tourist attractions. But the fight to develop Dubbo will continue to collide

with the Australian aversion to moving inland to permanently Why live in a place where the temperature can reach 45 degrees and there is no beach to cool off," would be a typical

being offered Dubbo as an alternative place to live.

Mr Max Walters, a prominent local citizen, is in no doubt about his reply,
"This is the real Australia where people are friendlier and

Ray Bashford

### An over-supply of office space in Sydney causes concern

## Property market is cautious

SYDNEY'S youthful skyline is undergoing its most dramatic period of change. High-rise building sites dot the centre of the city as leading Australian and international construction companies build for the anticipated commercial and retail needs for the city's centre into the next cen-

It is an extention of a robust 10 years of development when Australia's financial and commercial capital has been trans-

#### **RAY BASHFORD**

formed. Development has fanned out to include many of the Sydney's urban growth

But the CBD has attracted most of the investment and remains the most accurate gauge of the overall health of the property sector.

However, a sense of caution about the market's short-term prospects is developing in the offices of many of the nation's omices or many or the handn's leading property groups. An over-supply of prime city office space in the short-term forms the basis of the hesitation. The collapse of Hooker Cor-poration and the demise of sev-eral other smaller construction

eral other smaller construction companies has also had an

unsettling effect.

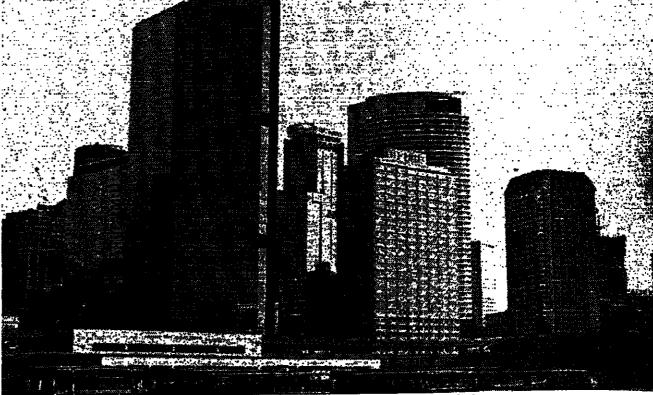
Many of the sites nearing completion were conceived during the heady days of 1988 when the city's commercial construction industry was experiencing one of its most rapid periods of growth. Sydney led a nationwide

boom in the commercial office market in the four years to June last year. This was reflected in three-fold growth to A\$53bn in total funds held in the investment property.

This rise has been connected with evidence of a steep appro-

ciation in property values as well as the entry of a new field of overseas investors, particularly those from Asia. The Federal Government's decision to liberalise regulations governing banks and accountancy and legal firms was a key factor in stimulating this surge in investment.

Local and international banks, which were successful in winning licences after banging at the government's door



for years, were suddenly demanding office space in an

already crowded market. Leading legal and accountancy firms, which consoli-dated their positions through a rash of mergers, also sought showpiece office blocks in pres-tigious locations in the city. And finally, in the aftermath of the 1987 stockmarket crash. investors also took the view that property offered a rela-tively safe home for funds, especially as domestic interest rates eased. Insurance companies, superannuation funds and property trusts were and remain the major domestic investors. Their portfolios spread across a broad range of

property.

The development of Sydney as a regional financial centre, serving Asia and the Pacific region, has fostered a sharp increase in the level of foreign

THE AUSTRALIAN insurance

industry received a shock last month when the Federal Gov-ernment blocked a proposed merger which would have led to the biggest upheaval in the

financial services sector in

In April, two of the country's biggest institutions, the ANZ banking group and the National Mutual Life Associa-

tion insurance conglomerate, amnounced a A\$3.4bn (£1.7bn) merger plan which threatened

to begin a new era of financial

restructuring in the small but

deal, to create a financial

bank deposits. The Federal Government's

policy to make superannuation

virtually compulsory for most Australians underpinned this.

By flagging its interest in jumping on the superannua-tion bandwagon, the ANZ has raised thorny questions of just

what those funds should be

used for. Should people's retirement savings be effectively used to

increase bank profits?

Does this increase the risks

for both superannuation and life policy holders and bank depositors?

The Government's slightly

Announcing the Federal Government block on the ANZ-National Mutual pro-

confused answer seems to be "yes, but not in this case."

posal, Mr Paul Keating, the

Treasurer, said no other merg-

ers involving any of Austra-lia's top four banks and two

leading life assurance associa-

The ANZ-National Mutual

competitive market.

investment in the CBD. Traditionally, most foreign

investment has come from Britain as the result of historic ties with Australia. Relationships with local companies have provided UK companie with watching posts over the Australian property market. In the last five year's, how-ever, the UK's dominant for-

eign investing role has eased as capital from Japan, Hong Kong and Singapore has led a strong Asian push into the market. According to the Sydney office of Jones Lang Wootton, the international property consultants, acquisitions by consultants, acquisitions by foreign investors in Australia in 1985 comprised only 11 per cent, or A\$150m, of the total net property additions. However, their net purchases have grown at an annual average rate of 25 per cent to A\$24 be rate of 75 per cent to A\$1.4bn

and includes holiday resort investment. But a large portion of the foreign funds have poured into Sydney's CBD.

several of the major city devel-opments, including the Bond Centre, conceived as a corporate showpiece for entrepre-neur Mr Alan Bond. Mr Bond has been forced to

Japanese money is funding

sell the site, however, due to financial difficulties within his international brewing and property group.
With such powerful interna-

tional backing, office space is coming on the market at such a rate that there are doubts about the capacity of business to satisfy supply, especially as the Australian economy faces mounting difficulties. Another 540,000 sq metres of space is due for completion within the

next two years.

A recent research paper from This figure covers all states - Jones Lang Wootton says: "A

more than A\$3bn in reserves, the National Mutual decided to

throw its lot in with the ANZ.

In comparison, Capita's reserves stood at a mere

A\$200m, so its reasons for seeking a big brother were

realistic appraisal of the dynamics of the office space market suggests that the market is likely to slow as the availability of office space increases resulting in a likely decline in both rental and price

growth." The report concluded: "A threat of over-building exists and concern regarding the future health of Australia's office space markets is war-ranted."

However, amid this caution there are clear indications that the market has a stronger long-term future.

The negotiation of leases in several large buildings due for completion in two to three years is a promising indicator. Many observers have subsequently concluded that the slowdown is simply a consolidation phase after unsustainable growth during the previous five years.

#### **INSURANCE**

## Merger plan blocked

tions would be allowed.

Mr Keating said the decision was based on the need to

maintain competition in the sector - that the merger would have removed National Mutual from the insurance sector as an independent

At the same time, the Trea-. surer gave banks the go-ah to enter the insurance market and vice versa, provided they do so either by expanding their businesses, or by acquiring smaller companies.

A new concession was given

to insurance companies: per-mission to own banks, provided they have enough financial strength, widespread shareholdings and would accept Reserve Bank supervi-

The ruling prompted National Mutual to proceed with plans to demutualise by issuing shares to allow it to take full control of the National Mutual Royal Bank, perviously jointly-owned with the Royal Bank of Canada. Attention has shifted to whether the ANZ and National

Mutual will find another way of co-operating, short of a full merger, as well as to possible takeovers in the second tier of Australian banking, such as the Advance Australia Bank. Even if high-flying mergers don't occur, the issues will not go away because Westpac is now a sizeable force in life insurance and funds management and the AMP or the life insurance and the life insuran

ment and the AMP owns half a Mutual for the ANZ.

The ANZ sees this as the Another important issue raised by the big merger proposal is the general health of the Australian life insurance investment growth engine of the next decade and beyond, in some measure replacing the traditional savings role of

Suggestions that part of the National Mutual's motivation for merging was liquidity problems have been strongly

Commentators have ggested that strong growth capital-guaranteed products where the insurance company guarantees a final payout given certain premiums - has strained insurance balance

The proposition was given further credence when, just weeks after the ANZ-National Mutual announcement, the MLC and Capita, two large life insurance groups anno so-called merger.

It was clearly more of a takeover by the MLC which will absorb Capita, virtually without payment. Capita was forced into the deal because an unsuccessful expansion push over the past half decade had left its reserves at dangerously low levels.

number of players has been dwindling for decades, but a handful of publicly-listed com-panies, including FAI Insurances, QBE Insurance Group and the NRMA, have a high

> recent years in Australia were a multiple blow for FAL, which has been one of the country's leading entrepreneurial share market investors. It suffered extensive losses with the troubled Bond group and in the 1987 share market crash.

The floods and cyclones of

But QBE, an associate of Burns Philp, the industrial giant, has been one of the few puoyant stocks in a sick Aus

Bruce Jacques

#### In general insurance, the FINANCIAL TIMES CARREL CARREST WESTERN AUSTRALIA January 18 **ONTARIO** May 22 SOUTH AFRICA June 11 HONG KONG June 12 **GOLD & PRECIOUS METALS** June **NEW ZEALAND** July SINGAPORE August HALAYSIA August CALIFORNIA October CANADA October **AUSTRALIA** November



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corporated to the A.C.T. and is a wholh sary of Middland Stank per



immercial skyline: Sydney, as the financial centre of Australia, has ettracted the offices of an in immercacing number of foreign banks

CH half-year results ted by three of Australia's ing banks - Westpac, and Australia and ANZ clearly shown that the e has gone out of banking s and harder times are for the 1990s.

chickens are coming to roost after half a of risky lending to Auscorporate high-fliers. h the Sydney-based Westand Melbourne-based nal disclosed serious debt offs, increasing a probhat began to surface two

banks' exposure to the of entrepreneurs Mr Alan Mr Christopher Skase ir Abe Goldberg, has been ibed as the Australian ilent of overseas banks' World debt crisis. comparison may be apt

ig by the the latest West-id National results. tpac's bad debt write-offs than doubled to A\$105m half, while provisions for

ose A\$441m.
3 A\$546m total almost ied Westpac's declared m net earnings for the But even this earnings was dubious. itpac only saved itself

a huge earnings dip by g back a A\$325m abnorem relating to its staff unnuation fund. Without the bank would have ed a 58 per cent earnings \_o less than A\$250m.

result has heightened t concerns about the of Westpac's loan book, igh it should be noted that the bank's total against profit for bad represented just 0.79 per f average loans.

National Bank's perfor-was slightly better, ing a 5.3 per cent net gs lift to A\$440m. But nd doubtful debt provi-3 increased by more than cent to almost A\$250m. tness in the Australian ny were illustrates by a f almost 30 per cent in

anking earnings. National's investment in ritish-based Yorkshire gave the overall bottom strong result.

strong result.
's interim profits fell by
r cent after tax to
3m, largely because of
rease in bad debts from
im to A\$2245m.

Will Bailey, ANZ's chief ive, went to some s to minimise the exposure to large Auscorporate debtors, espenhe entrepreneurs.

ougn there was a differdegree, results from all anks point to a worry-nd in Australian banknalysts believe that the y as a whole is sitting re than A\$6bn in loans ay never be recovered. hree poor results, and a announcement soon ed from the Common the government-owned

ect examination.

underway.

An ambitious campaign has urth-largest bank, have the spotlight away from sion and takeovers s consolidation and balstarted to establish Sydney as the second most important financial centre in the region after Tokyo. It will be Federal Government virquashed the four big launched in London this week by Mr Nick Greiner, the Pre-:0, but that did not stop mier of New South Wales. Mr Greiner will open the first of a series of promotional seminars financed by leading companies to promote the city ustry heading off on a A\$3.4bn merger with al Mutual Life Associa-ustralia's second largest

1983, have their headqu

urance group. proposal came as a surern Pacific ecause the large banks "The mission reflects the en busy buying crossBANKING

## **Debt write-offs bite**

shareholdings in each other in apparent preparation for mergapparent preparation for merg-ers. One of Australia's top cor-porate raiders, Mr John Spal-vins, had also positioned himself as one of the country's largest banking shareholders, probably to grab a pivotal role in the expected mergers.

The proposal sparked speculation about possible mergers

with the other leading insurance groups, including the AMP Society and the MLC. One of the problems for the banks is that their dominant

position in the Australian savings and investment scene has been eroded by other products, mainly superannuation.
With government help,

WHISPER it in Victoria, but

after nearly two centuries of competition, Sydney is gener-ally considered the financial

capital of Australia.
The evidence was produced

in a report recently presented by Professor Bob Pagan of

He found that 60 of Austra-

ment of Science (ANZAS).

superannuation is replacing bank deposits and becoming the country's leading area of

savings. That was the clearest rationale for the ANZ-National Mutual link

The proposed merger posed some difficult regulatory prob-lems. Many analysts believed it would have led to the end of the rather artificial system in Australia which split the administration of insurance

and banking operations.
In the end, however, Mr Paul Keating, the federal Treasurer, took the view that market efficiency was less important than competition - a force which has been difficult to foster in the small Australian market, in spite of the Government's deregulatory thrust.

Mr Keating blocked the merger late last month on the grounds that the removal of National Mutual's indepen-

dence was not in the public interest. The Treasurer also ruled out any talks of merger ruled out any talks or merger talks between the big four banks and two leading insurance glants, National Mutual and AMP. But in a ruling seen as inconsistent by some analysts, he said there was no objection to banks entering the insurance market and to insurance companies moving into banking, provided their busi-

companies.
Mr Keating's action surprised the financial community, and angered the ANZ and National Mutual, which promptly decided to go ahead with plans to raise new capital by demutualising.

The decision allowed

ness was large enough or that it involved acquiring small

National Mutual to acquire from ANZ the National Mutual Royal Bank – established by National Mutual and the Royal Bank of Canada in the early 1980s, and probably the most successful of the new banks established after deregulation. For most other foreign

banks, their Australian ad ture has been a sea of red ink, with Citibank, BT and Chase AMP emerging as the most likely long-term survivors. Local bank domination is a

AREA:

Australia NSW ......

Australia .

Newcastle .. Wollongong

State capital .

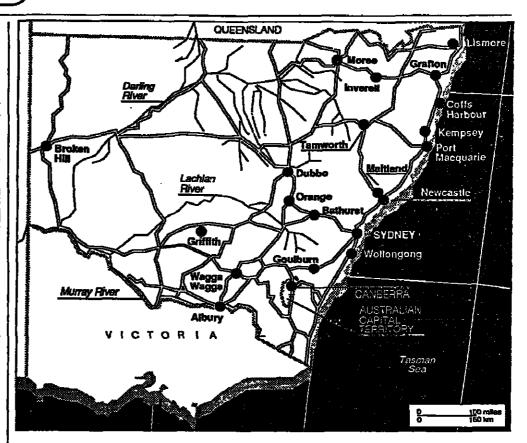
TRADE:

E POPULATION.

big problem. The four leading banks con-trol more than 66 per cent of the total Australian banking market, and the established state government-owned banks control almost another 17 per cent. That leaves a miserable meagre 17 per cent of an already small market, available for the foreigners.

Financial losses may force local banks to shed some of their high-risk business, but less attractive customers may not enhance the prospects of foreign banks.

Bruce Jacques



KEY FACTS

A\$366.315bn (1989/90 est.) REAL GDP GROWTH: Australia 2.8 % (1989/90 est); +1.8 % (March quarter NSW (2.8 per cent (1989/90 est) 5,761,900 425,610 238,690 SYDNEY (Conservative) Coalition

Australia ... A\$1 = US\$0.75:

. 6.2 % (April, seasonally adjusted) . 6.2 % (April, seasonally adjusted) . 5.2 % (April, seasonally adjusted) ...B.6 der cent E0.46:

Sydney has overtaken Melbourne as the financial capital of Australia

## A gateway to Asia and the Pacific

Macquarie University to the Australia and New Zealand Association for the Advancefree enterprise spirit we have helped to foster in New South Wales, and will start an annual reminder in world lia's top 100 companies were based in Sydney at the end of markets of Sydney's advan-tages as we compete with Sing-apore and Hong Kong for growth opportunities," Mr Greiner says.

based in Sydney at the end or last year, compared with just 29 in Melbourne. The two cities were equal as recently as 1984, when Sydney had 45 head offices and Melbourne 41. einer says. The campaign is supported by a number of Australia's most influential businessmen, Professor Fagan says the results of his study reflect the most influential businessmen, including Sir Eric Neal, chairdifferent roles being played by the two cities in the Austraman of Westpac Banking Cor-poration, Mr David Clarke, chairman of Macquarie Bank, Han economy, especially since the deregulation of the bank-ing sector in 1983-84. Melbourne remains the cor-Mr Rodney Adler, chief execu-tive of FAI Insurances, and Mr Stuart Hornery, chairman of

porate beadquarters for most of the "establishment" compa-Lend Lease Corporation.

The seminars aim to stress nies, such as Elders IXL, BHP, National Australia Bank and Sydney's lifestyle, profession and infrastructure advantage ANZ Bank. But Sydney moved ahead when the Australian rather than the potential prob-lems of rival cities. However, economy opened up interna-tionally and it became a gate-way to the emerging markets it will inevitably contrast Aus-

Sydney leads Hong of the Asia-Pacific region.
As a result, 29 of the 60
major companies based in Syd-Kong and Singapore in some financial ney are regional branches of foreign companies. Melbourne has attracted only 13 regional trading, including in futures and shares

All the 17 foreign banks, which have gained licences to operate in Australia since tralia's political stability and democratic credentials with the political framework in Singapore and Hong Kong.
"Hong Kong will decline ahead of its reversion to Chiin Sydney. However, if the parochial contest with Melnese control in 1997, Singapore does not have the level of democracy that Australia bourne is almost over, business and political leaders in democracy that Australia has, and the costs of operating Sydney are realising that a wider battle for leadership in from Tokyo are enormous," says Mr Clarke, of the Macthe Asia-Pacific region is quarie Bank.

"If we could create a level playing field with other Asian centres, business would come to Australia – and particu-larly Sydney – in droves." Offshore banking licences, allowing international banks to use Sydney as the base for arranging overseas loans for foreign companies, will be pro-

So far, Australia has attracted only 36 applications, compared to the 192 offshore as a centre for both offshore banking and regional corpo-rate headquarters in the westbanking units operating in

Sydney leads Hong Kong and Singapore in some other financial sectors, including the world's ninth largest futures exchange in terms of contracts traded, and the largest regional turnover of shares. The Australian Stock Exchange (ASX) is the largest

in the region in terms of mar-ket capitalisation after Tokyo, Osaka and Secul. But Mr Peter Charlton. chairman of the mission to London and chairman of the Charlton advertising and public relations group, admits

that Sydney does have to over-come a number of hurdles.

One problem is the interna-tional image of Australia's business community which has been tarnished by the highly-publicised probl entrepreneurs such as Mr Christopher Skase and Mr

"Australia is made up in the main of good, solid, sound professional people running good companies, and not by cewboys, who are in the minority, Mr Charlton says.

However, difficulties faced by these entreprepars have

by these entrepreneurs have drawn international attention to a number of other short-comings within the Australian corporate scene, some of which still have to be addressed by

the regulatory authorities.
For example, the Federal
Government has not been able to implement a proposed national regulatory regime for companies because of its inability to agree with the state governments on how to go about it.

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As a result, the under-funded National Companies and Securities Commission which co-ordinates the six state regulatory authorities -is unlikely to be replaced as planned next month by a beefed-up Australian Securi-ties Commission with a federal

The delay could have serious implications for Australia's and Sydney's - hopes of attracting more overseas investment because of the perception that Australian companies are not properly regu-

There are also problems with accounting standards, with no standard for earnings per share and no requirement

for cash flow statements to be published. A draft standard on consolidation accounting has been blocked by the need for a

NSW Imports: A\$20,9bn (1988/89) NSW exports: A\$10,9bn (1988/89) Main exports: (1988/89): Coal (A\$1.8bn) Wool (A\$633m Meat (A\$451m)

change in the law. In addition, Mr Gavin Camp-bell, group managing director

of the ASX, has expressed con-cern over the threat to the independence of auditors who independence of auditors who are being subject to an emerg-ing practice among companies to ask for tenders. Sydney also has a problem

stamp duty for much of its income. This is the case in all states and adds to the cost of doing business in Australia.

The NSW Government has idmitted it cannot lower the tax unless the Federal Govern-

bringing its taxation regime in line with competitors because

the state government relies on

ment agrees to make up lost revenue. But relief from the hard-pressed coffers in Canberra is unlikely at present.

Kevin Brown

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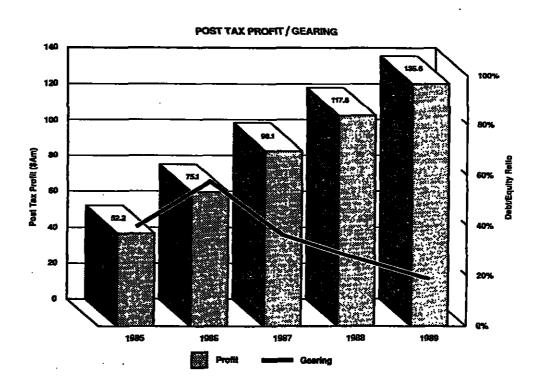
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# I he protile of a successfu Australian

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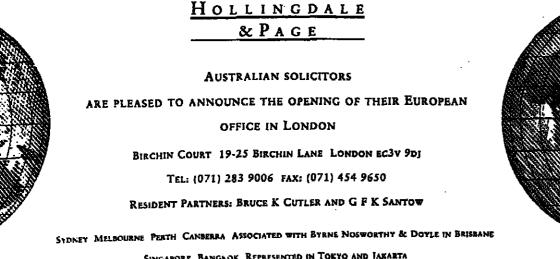
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SINGAPORE BANGKOK REPRESENTED IN TOKYO AND JAKARTA





Old mines are being replaced, reports Bruce Jacques

## New investment in gold and mineral production

NEW SOUTH WALES is seldom the Australian state which evokes images of a rugged mining culture. The state's reputation usually relies more on the financial sophistication of its capital, Sydney, with its beaches and night life.

Yet the state was where min-ing started in Australia, with the country's first coal discovery in 1796, the gold rush in 1851 that did so much to populate the new colony and the country's first major base and precious metals discovery in 1883 at Broken Hill.

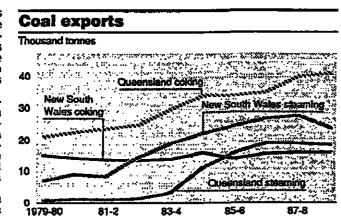
The state has capitalised on these beginnings, and is now a world-ranking coal exporter and main host to probably the biggest integrated base metals mining and processing com-pany in the world - Pasminco. NSW is also a growing gold

producer and hosts a small but significant share of the country's mineral sands production, an industry where Australia is easily the world's biggest

Despite its predominantly industrial base, NSW still ranks third overall in Austraeral exports from the state comfortably topped \$A3bn in 1989, significant, if well behind the combined Queensland and Western Australian mineral export total of more than \$A12bn. And in Australia's biggest single export commodity - coal, which earned almost \$6A billion in 1989 - NSW is supremacy with Queensland. The two states account for more than 95 percent of Australia's coal production which totalled almost 155m tonnes in

While this ranked the country seventh in world coal production, Australia remains the world's biggest coal exporter. Coal production was almost equal in NSW and Queensland in 1989, totalling almost 74m tonnes each, but because of its bigger industrial base, NSW used a larger proportion of its production internally. Exports from Queensland totalled 58.3m tonnes in 1989, compared with 40.4m tonnes from NSW. Coal has clearly been the

biggest mineral growth area in



NSW over the past decade, with both production and exports virtually doubling. Queensland's growth has be even more dramatic and coal intense. But the coal industries in the two states are quite different. The NSW coal industry has a long hist<mark>ory, while</mark> Queensland has been the "boltor," only rising to prominence

in the past 15 years, based on

typical of Queensland cur-rently fetches more than \$A62 a tonne, compared with just under \$A50 a tonne for steam-

ing coal.
The higher cost stuctures in NSW coal mines, and their greater production of lower-priced steaming coals meant that the state bore the brunt of an industry shake out in the second half of the 1980s.

This resulted from a glut

The state was where mining started in Australia, with the country's first coal discovery in 1796

As Australia's largest listed

general insurer,

vast open-cut mines which account for 95 per cent of the state's production. By contrast, NSW has an underground-based industry, and despite the advent of several large new open cuts in the past decade, more that 60 per cent of NSW's coal is still mined by underground methods. This means cost structures vary greatly between the with underground methods being much more

labour-intensive. The other big difference between the states is in their production-mix. More than two thirds of NSW production is in steaming coal, predominently for use in electricity generacoal used in steelmaking. In Queensland, the ratios are reversed. This means the states sell to different markets and products. The hard coking coal

world coke supply, and falling oil prices, the main alternative fuel to coal. The cost-price squeeze led to the closure on 17 export coal mines in NSW in the latter part of the 1980s, taking out annual production capacity of more than 10m tonnes. But these old mines have been replaced with a new generation of more efficient operations. The state has combined annual production approaching 20m tonnes. And the industry is busily planning another growth surge in the

The plans are based on almost universal forecasts of a near double in world demand for export steaming coal this decade, mostly from develop-ing Asian nations where Australia enjoys a significant freight advantage against competitors. At least 14 new mines, with total annual capacity

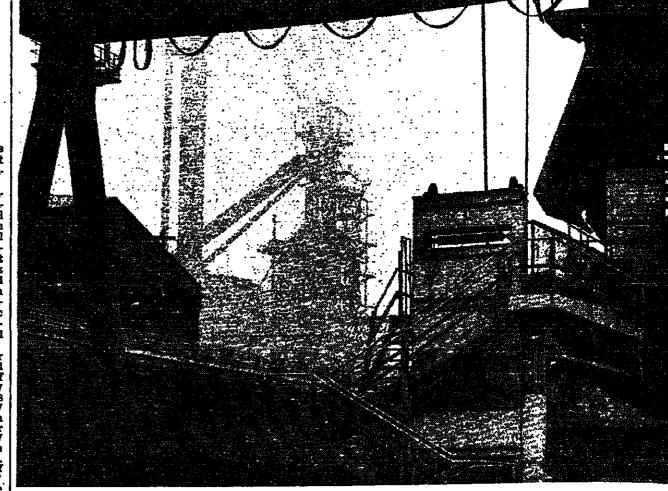
approaching 25m tonnes, are planned in NSW for the first half of the decade, at a probably cost of more than \$A2bn. But one of Australia's principal coal industry administra-Board, has expressed concern over whether demand will match these ambitious expansions. The board noted that NSW's coal export capacity is around 50m tonnes and would conservatively rise to 72.5m tonnes with the planned expan-sions. Best available domestic forecasts put demand for Australia coal at between 126 and 137m tonnes by 1995. NSW supplies about 40 per

cent of Australia's coal exports, the Board says - "if this ratio is maintained, NSW exports would be 50.5 to 54.8 million tonnes in 1995. If NSW improved its relative position viz-a-viz Queensland to 50 per cent of total exports, NSW exports would be 63.1 to 68.5m tonnes in 1995. In either case, forecast demand falls short of

the potential supply scenario."
In base metals, probably the biggest event for NSW since discovery of the Broken Hill led-zinc-silver lode, has been the pooling of assets of most of the great mining houses spawned by the region. The operations of CRA, North Broken Hill, Peko-Wallsend and Broken Hill South have all now found a home in the single Pasminco structure.

With annual sales running at more than \$A1.5bn, Pasmin accounts for 10 per cent of the western world's zinc market and 7 per cent of its lead. Pasminco operates five mines producing lead-zinc-silver and/ or copper, two at Broken Hill and one at Cobar in NSW. The company also operates three smelters in Australia at Risdon in Tasmania, Port Pirrie in South Australia and Boolaroo in NSW. Two more smelters are located at Avonmouth in the UK and Budel in the Netherlands. The other major lead-zinc-silver mine in NSW is at Woodlawn, near

Overall, base metals account for about 10 per cent of the state's mineral exports against coal's 76 per cent share.



Steel plant at Newcastle: the recent growth in productivity has been dramatic

Profits improve in a fast-changing industry, writes Ray Bashford

## Steel gets back on the rails

A RADICAL restructuring of the New South Wales steel stone of the Australia Government's plan for a revival of the nation's ailing industrial base. A sharp improvement in productivity, accompanied by a large scale investment pro-

gramme at the two integrated steel plants in NSW which proannual raw steel output of 6.2m tonnes a year, are symbols of the effort to rejuvenate Australian industry.

The impact of the changes is reflected in the annual balance theet of BHP, Australia's biggest company which virtual has a monopoly of the steel industry. Steel production has leapt to the top of its profit generation centres — ahead of minerals and oil and gas.

At the same time, Port Kembla and Newcastle; located north and south of Sydney, where the plants are located, are still feeling the knock-on effects of the large-scale redundancies which the trade union movement recognised were movement recognised were vital to ensure the long term viability of the industry. Changes in an industry which, since its birth 75 years

ago, have historically been the focus of some of the most intense, sometimes violent industrial confrontation. The latest round of changes were forged in 1984 through a unique agreement between BHP, the trades union movement and the Federal Govern-

A backdrop to the accord was the 1982 world slump caused by oversupply. This laid bare the inefficiencies of the Australian industry, even by the depressed international

The Port Kembla plant, the bigger producer, was making heavy losses while the Newcastle works had a large question mark hanging over its future, even though the works were operating with marginal prof-

The Steel Industry Plan was threshed out during two years of negotiations as conditions in the industry deteriorated. But as a BHP executive said recently. There is nothing like knowing that the hangman is coming tomorrow to make you think about what you have

done wrong."

The essential point of the agreement, forming a mile-stone in Australian industrial relations, was that the trade unions accepted the need for substantial reductions in the workforce through redundancy were assurances of capital investment to guarantee the future of the plants and promise expansion in associated

industries in the two cities.

The redundancies were heaviest during the three year life of the agreement, but they have continued as BHP has sought to maintain the pace of change. At the time of the 1982 crisis,

\$A1.6bn and been spent with plans for the expenditure of a further \$A1.5bn in the next ven years. Of the monies spent so far, \$A800m has been sunk into

Port Kembla introducing a new blast furnace, hot and cold sheet rolling equipment and technology based on interna-tional models. Mr Parker has the objective of reaching an annual output

of 4.5m tonnes a year by the completion of current expenditure programme Other foreign know-how was also enlisted. Nippon Steel was

commissioned to report on means of heightening efficiency. The findings of the team's month-long investiga-tion have formed a blue print for alterations in employee

Six years of radical surgery has created a steel industry in NSW which is more capable of performing its fundamental role as a generating force for state and national industry

production capacity of 6m tonnes a year from an overall BHP capacity of 9m tonnes. Today the plant, operating through 3 blast furnaces for

ing am tonnes with a work-force stripped back to 9.5m.

Mr Graham Parker, the gen-eral manager of the Port Kem-bla site, refuses to give an esti-mate of the optimum workforce but the increasing use of computerisation and new machinery should give employees little confidence that the redundancy pro-gramme is completed.

Current productivity per employee is 420 tonnes a year which lags behind the 600 tonnes being achieved at plants in other economically advanced countries.

advanced countries.

"There is only one way to reach these international levels and make money and that is to push the accelerator to the floor and keep it there and that's what we are doing in Port Kembla," Mr Parker said.

The Steel Industry Plan called for a minimum national investment of \$A1.2bn. To date

the Port Kembla works had a attitudes and behaviour on the job. BHP reports an encouraging response to proposed proce-dures and a full-time executive

is overseeing implementation. At Newcastle the growth in productivity from its rod and been more dramatic. Only 5,300 employees were present at last month's celebrations to mark the 75th anniversary of the establishment of Australia's first integrated steel works. There would have been 11,500 in 1983.

rie fall in the employment level has been accompanied by a reduction in capacity from 2.2m tonnes a year to 1.8m, largely as the result of the demolition of one of the blast furnaces which was a monument to the plant's antiquated technology and work practices.
In addition to investment under the Federal Govern-

into a mini-mill west of Sydney that will have an annual capac-

ity of 200,000 tonnes.

Mr Rob Chenery, the general

for Australian coal and iron ore exports. The fall in the employment

ment-sponsored plan, BHP is committed to spend A\$1bn over the next seven years, much of which will be directed

the company will continue to encounter severe difficulties

penetrating these markets and have to rely on relatively low value added steel sheeting and basic bar and rod products for export to the Third World for a large proportion of its export

plant, says that the return on capital has risen from between

4-5 per cent in 1983 to 12 per

cent this year with a target of 15 per cent in three years when

the mini-mill is fully operating

practices at Newcastle, particu-larly to redefinition of respon-

sibilities, has led to several

recent strikes and both side concede that wide gaps remain

in their objectives and under-standing of the current agree-

The site of the Newcastle works on the Hunter River

near the vast deposits of high quality coal, explains the rea-

son, which it shares with Port

Kembla, for establishing the

from its Mount Newman mine

in Western Australia which are transported by the group's

fleet of vessels to the sites. With the new-found operat

ing efficiency, BHP believe that the supply of these raw materials offers the company

the a more secure footing to compete on the international

market, particularly against Japan and South Korea which are two of the biggest markets

These attributes are aided by BHP's vast deposits of iron are

Opposition to the new work

Of the A\$5.4bn total sales from BHP's steel division last year, domestic sales involved

This is a great improvement on the A\$2.4bn five years ago, but it demonstrates the reliance the company retains on the local economy.

And while even the most optimistic local forecasters see economic difficulties ahead, six years of radical surgery has created a steel industry in NSW which is more capable of performing its fundamental role as a generating force for state and national industry.

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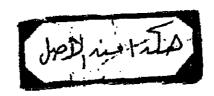
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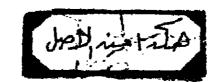
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#### **NEW SOUTH WALES 5**

L AND ALLIED tries, NSW's biggest coal cer, has keenly felt both of a rapid resurgence in sustralian coal industry. L has been one of the neficiaries of an almost taneons improvement in world coal prices and estralia's domestic coal

280 per cent increase in igs in the December half showed that the comis again on the up-cycle almost half a decade in

performance did not go ciced by the Australian market's corporate pred-and there have been sings that CAIL is high on .ist of possible takeover

corporate allure can prob be traced back to a deci-taken in 1988 which pinned CAIL's emergence model of coal industry ecturing lecturing lecturi

d to change the close ties en CAIL and its largest holder, Howard Smith he Sydney-based indus-

two companies' longng cross-shareholdings them safe from acquisiut tended to jaundice an y-suspicious share mar-

of the country's most corporate raiders, Sir Brierley, saw the prob-in the late 1980s and both companies of up millions of sharedollars in a purely ive exercise

arly 1989 Howard Smith
AlL announced historic
ses that would for the ime see the companies itely stand for market

S 22 per cent stake in d Smith for A\$114m, and t the RW Miller coal ion from Smith for er a complex deal, CAIL

> nexus was not combroken because Smith d its 42 per cent stake in But the relationship n the companies has a much more conveninvestor-investee affair. used the A\$114m, presitting idle in Smith to purchase cash-gener-

had been managing the coal operations on of Smith, but not shartheir cash flow. purchase at last gave IL management access imum benefits from the

Coal mining: benefiting from an international resurgence and putting miners back to work, like this one at Coal Citif Mine, NSW

Mining company profile: Coal and Allied Industries

## State's biggest coal producer

Some of the prime coal operations in Australia are included: an 80 per cent share in the Mount Thorley open-cut steaming coal mine, a 15 per cent royalty in the Curragh coal project in Queensland and a 20 per cent interest in one of the biggest coal-loading facili-ties in NSW at Newcastle.

The big strategic advantage of the Thorley purchase is that it takes CAIL more deeply into steaming coal production where growth prospects for the 1990s are much brighter than for coking coal.

CAIL has instituted a big

expansion programme at Mount Thorley, budgeting A\$50 million for equipment purchases in the next year.

But the Thorley expansion is only part of a wider restructuring of CAIL's entire operation which has involved the closure or sale of five loss-making The company is also develop

ing the Hunter Valley No 2 mine to augment what has been the mainstay of its operations, the Hunter Valley No 1 mine - one of the best in NSW. The new development is expected to cost about A\$100 million over the next four

CAIL's latest December half year report showed that total coal production rose from 8.2m to 5.4m tonnes, Almost 8.4m tonnes was coking coal from Hunter Valley No 1, and another 1.9m tomes of steaming coal came from Thorley.

The report clearly showed that CAIL has achieved the feat of producing much more coal from much fewer mines. The output growth is not likely to stop there. Leading stockbroker, Bain &

Co, forecasts CAIL will lift output by about 30 per cent this year to 10.6m tonnes, rising further to 11.5m tonnes in 1991. That should wipe out CAIL's sometimes costly need to buy coal from outside sources to fill its overseas contracts.

Outside purchases rose as high as 4m tonnes in 1988.

Not all of CAIL's improved performance reflects manage

ment initiatives. Some is down

to plain good luck.
The company's big restruc-ture has been pushed through amid historic sweeping changes in the entire Australian coal industry's work prac-

For the first time in more than a century, coal mines are working at weekends and the traditional three-week Christ-mas shutdown has been

The new work practices promise to deliver hig produc-tivity increases to coal compa-nies, even though higher wage costs are involved.

Ironically, CAIL had its worst industrial year in 1988-89, just after the work practice changes were agreed.

CAIL lost 168 days through the lost of t strikes, but the industrial record has been almost clear in the current year.

Even so, CAIL's great leap forward must be seen in per-

spective.
With a December half net profit of A\$20.8m, CAIL is only just getting back to the 1986 profit levels, and bouncing off

That loss played no small part in pushing directors into the Howard Smith deal. But that deal - so important to CAIL's progress - could ultimately lead to its acquisi-

The share shuffle has allowed another feared corporate raider, Mr John Spalvins, to emerge with a stake of almost 30 per cent in the latter company through various arms of his corporate empire.

Mr Spalvins has said that Smith would be better off selling its CAIL shares. Under Australian law, however, the sale of such a big parcel of shares could not be achieved without a full take-

over bid for CAIL. Even at current depressed market prices, that would cost a minimum of about \$400m. But for such an outlay, a predator would gain a pivotal role in the NSW coal industry and a powerful base for further

The Commonwealth Bank may not lose its edge

## Fourth bank waits for privatisation

can still claim to be Australia's tomer base. But it has become the poor relation of the country's leading savings institutions in an era of financial der-

egulation,
As the only governmentowned member of Australia's
"big four" banking club, the
Commonwealth lacks the freedom of its rivals to grow by expansion and acquisition.

Bold takeovers have piloted the growth of Westpac, the National Australia Bank and the ANZ in the past 50 years while the Commonwealth has been forced to wait while its political masters decide their

banking policy. The fond hope of the bank's management, led by former central banking heavy. Mr Don Sanders, is that the Common-

wealth will be privatised.

Privatisation is still a thorny issue for the federal Labour Party government. The Opposi-tion parties have committed themselves to a rapid UK-style programme aimed at selling most public enterprises, possi-bly starting with the Common-

wealth Bank.

Privatisation would bring the biggest change in the bank's 80-year history. It would finally shake off the legacy of its utopian conception as a government-sponsored supplier of banking services to those the private sector most in need

This birth has left the Commonwealth with a massive 11m separate accounts — just 5m less than the entire Australian

In the cost-conscious computer era, when banks are charging for transactions, the competitive disadvantages of this buge customer base have

Because of its early role, a large proportion of the Commonwealth's customers are pensioners and the like which make for high turnover, low margin husiness. This represents the antithesis of the high margin corporate business which most banks look to for earnings growth.

But the Commonwealth has Bruce Jacques | been moving to bridge the

competitive gap through a pro-cess labelled "corporatisation." This involves changing the bank's public service image to a more commercial one.

Commonwealth Bank salaries have risen to private levels and customers are being charged for transactions and other services.

The latter has created some political controversy, with claims that the bank has ceased to be a servant of the Australian people. But the motivation has more to do with survival than ideology.

Deregulated market pres-

sures have forced the Commonwealth to move down this path, if only to partially com-pensate for the opportunities missed through its government ownership.
Avenues denied the Com-

monwealth are many. For instance, the political sensitivi-ties of government ownership prohibit the bank from devel-

One of the bank's biggest challenges is to fully exploit the huge consumer base

oping a strong offshore presence, at a time when "going global" is a powerful banking

While Australian banking laws prohibit foreigners from controlling the country's banks, the Federal Government can hardly condone its own bank acquiring competitors overseas. The same ratio-nale applies to local takeovers where the Commonwealth can-not expect to gobble competitors if it is effectively immune

from acquisition itself.

There has been one exception to this general exclusion: the Commonwealth's A\$176m acquisition in 1989 of Auckland's ASB Bank.

This was apparently made possible through the Closer Economic Relations (CER) arrangement with New Zea-

Although a successful take-over, it is not in the same league of the National Bank's

Yorkshire Bank or the ANZ Bank's A\$3.4bn attempt on Australia's second biggest insurance group, the National Mutual. The Commonwealth Bank's government ownership also limits its access to capital markets, especially on the

equity side.

But for all that, the Commonwealth has achieved sound profit performance in recent years, although its earnings for the 1990 June year may reflect a tougher climate.

The Commonwealth's 1989 results - a 74 per cent net earnings gain to almost A\$476m - showed one advan-tage of the bank's more conservative approach. It did not include doubtful debt write-offs which have plagued its private colleagues, although the Commonwealth wrote off a hefty

A\$298m in 1989. While the Commonwealth was not so hurt by Australia's crop of failed corporate entre-preneurs, the bank's management is striving to make sure the bank is prepared privatisa-tion - if it become a real

likely privatisation method would be to sell the Common-

wealth to one of its private The ASB acquisition has provided an opportunity for an internal restructure which has lines, introduction of planning and budgeting disciplines and

the sale and leaseback of about A\$300m worth of buildings. is in Sydney, so is among the most expensive in Australia. But an even bigger challenge is to fully exploit the bank's

huge customer base. While conventional banking lore says lots of small customers do little but increase costs, the longer term may see them more as a resource just waiting to be tapped.

This may already be happening with recent moves by banks into other financial services areas like insurance and funds management, suggesting a rebirth of interest in customers, both large and small.

**Kevin Brown** 



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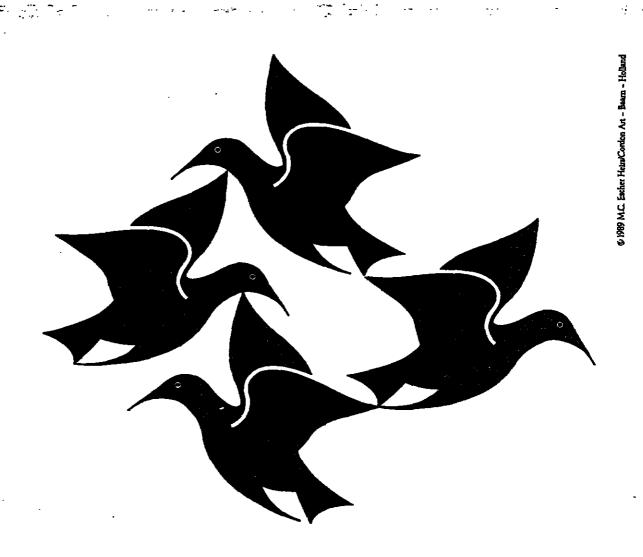
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able in NSW.

Tourism is one of the fastest

growing industries in Australia the one both Federal and

State Governments are pinning hopes for much of the growth that is needed to revitalise the country's stagnating economy. The Australian tourism industry achieved an average compound annual growth rate

of 12.3 per cent between 1981-82 and 1983-89, rising from total expenditure of A\$9.8bn to A\$22.2bn — well above the overall rate of economic

Growth has been so rapid

that international tourism overtook coal and wool exports

- as the country's biggest

source of foreign exchange,

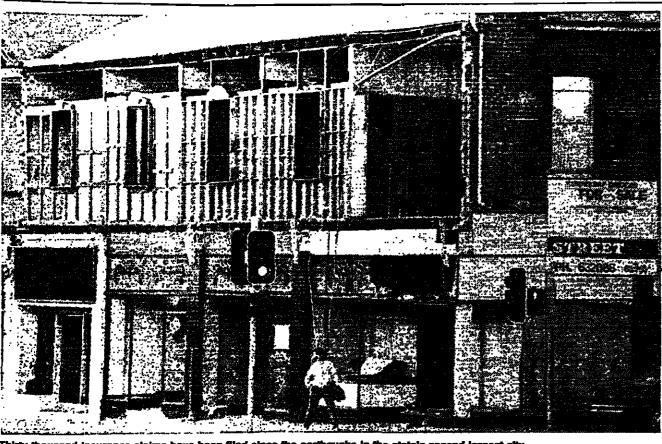
Australia as a

whole

Tourism Research, domestic

with earnings of A\$6.5bn.

growth in Australia.



Aftermath of the earthquake at Newcastle

## City still counting the cost

NEWCASTLE is still counting the cost of Australia's worst natural disaster. At 10.27 on the morning of December 28 year, an earthquake wreaked random destruction South Wales' second biggest

in 10 seconds, the city's first ever earthquake had demolwhole blocks of Hunter Street, the main city thorough-

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schools and government build-ings and rendered large sections of the surrounding sub-urbs uninhabitable.

Life for the population of 380,000 people in Newcastle,located 60 miles north of Sydney by road, and its environs is returning back to normal but the after-effects of the quake remain the pre-occupation of the city. The timing of the quake limited the death toll to 12, although many other people

have been damaged of which 500 are uninhabitable and 500 will have to be demolished," he Thirty thousand insurance claims have been filed and esti-mates are the only guide to the

are said to have died from trau-

other side effects.

induced heart attacks and

Mr John McNaughton, the

Lord Mayor of Newcastle, says that it will be at least 5 years

before reconstruction is com-pleted and perhaps a decade

"apart from the damage in the

centre of the city, 10,000 houses

before the city fully recovers

total cost of reconstruction.

The Lord Mayor believes the bill could be as high at \$A1.2bn "but it's also the human cost which is taking toll. There are 1,000 families sharing accommodation and you can imagine the problems that creates." Federal and state government assistance has poured into the reconstruction programme but the cost of the dislocation to industry and com-merce is impossible to cover through such hand outs. All sectors of local industry report that they are attempting to make up for the losses suffered

in the aftermath of the quake. Newcastle and the the surrounding Hunter Valley has always survived in the shadow of Sydney, the state's capital. While the area has abundant natural resources their utilisation has historically been directed from the financial centres of Sydney and Melbourne.

Newcastle was established almost 200 years ago as the second city in the colony. The prime attraction was its deep water port and the availability l Which w vlikaoi besu sa and, from the earliest days, exported to other British colo-nies. The development of the BHP steel works 75 years ago

gave the city an important employment source which pro-

wided spin-off ship building and engineering industries.

However, these failed to mature into a base for large-scale manufacturing and the reductions of DERP's plant in the past six years is testament to the city's malaise.

the presence in the city of Australia's biggest export port, second biggest steel works and New South Wales' leading coal ining, ship-building and wine

among young people, is run-ning at considerably above the national average while income levels are well below levels in other Australian cities.

House prices are a half to a third of those in Sydney. How-ever, the tight job market helps negate this as an attraction for people to move north from Sydney. Mr Peter Barrick, the secretary of a confedera-tion of 52 Newcastle trades believes that the low level of economic growth is due to the area becoming a base for extract rather than

manufacturing industries. During the early part of the last decade a massive expansion of the Hunter Valley coal mining industry took place which, apart from export sales, also encouraged the develop-ment of coal-fired power stations and alumina smelting on the back of the relatively low

electricity costs.

Mr Barrick recognises the importance of coal exports to the city but says that the establishment of manufacturing it required to secure longer term prosperity — "a lot of this coal comes down the valley, into the hulls of Japanese ships and returns to Australia in the form of manufactured

Mr McNaughton agrees that the failure to attract new man-ufacturing industry is at the root of the area's economic ills. He believes that there is considerable scope growth of tour-ism. The Hunter Valley and the availability of its local wines, which are achieving increasing international recog-nition, offer potential for large-scale hotel development, while surrounding beaches and rivers also provide attractive destinations for Australian and foreign tourists, he says.

in 1988-89 - the year of Austra-lia's Bicentennial Celebrations

workforce at BHP's plant in

Only two publically quoted companies have their head-quarters in Newcastle despite

and international tourism together generated A\$22.3bn in Unemployment, particularly gross expenditure, and pro-vided employment for 447,600 people, or 5.9 per cent of the total workforce.

Growth has been even faster in New South Wales, where gross expenditure rose by 12.7 per cent on average between 1981-82 and 1988-89, and net income to the state incre by an average of 12.3 per cent from A\$2.4bn to A\$5.4bn. Most of the growth in expen-diture was provided by interna-

tional tourism, which increased by 262 per cent over tional the period, compared to an increase of 98 per cent in tour-ism by residents of other Australian states. The NSW Government's

Department of State Development estimates that tourism is currently worth A\$7.6bn a year in terms of gross expenditure, gross state product. (GSP). It employs 153,000 people, 6

per cent of the state workforce. rent year are published, they will show a downturn caused by the impact of a six-month strike by domestic pilots which is estimated to have cost the tourist industry A\$600m nationwide and done incalculable damage to Australia's international image.

But research carried out by a tourism task force set up by the NSW Tourism Commission indicates that growth is likely to pick up again next year as the impact of an international shift towards longer-haul holi-days begins to come through. The commission forecasts

that the number of trips by overseas tourists to Australia will more than double by the end of the century - to about 5m. If NSW maintains its share he says.

of 73 per cent of inbound travellers, the state will be playing host to at least 3.7m overseas



#### **TOURISM**

## Surge of overseas visitors expected

tourists in 10 years' time, compared with around 1.6m in the current year.

However, the state tourism commission concedes a number of problems have to be tackled, including the high price of travelling within Australia, limited shopping hours in Sydney, and the unreliabil-ity of public transport because

In that year, there were 2.2m international visitors to Ausof strikes. The State Government has tralia and 47.5m overnight begun to tackle some of these trips by Australian residents. issues, for example by deregu-lating shopping hours, liberal-ising alcohol licensing laws, According to the Bureau of and adopting a more bus **New South Wales** like approach to the state owned bus, rail and ferry seris a microcosm of

> The Federal Government is also trying to improve the sometimes fractious industrial relations climate, and is attempting to reduce airline prices by deregulating domes-

tic aviation from Octob There are plans to tackle congestion at Sydney's Kingsford Smith Airport by constructing as third runway, and eventually a second airport at Badgerys Creek. Both proposals are yet to be given final approval because of opposition mong local residents.

Other problems are likely to be more intractable, notably the high price of hotel accom-modation, especially in Sydney, where a double room can cost as much A\$300 a night for service which is much poorer than in comparable hotels in Europe, Japan and North

NSW is also just beginning to identify the potential nega-tive impacts of large-scale tourism, particularly on the environment and on the state's remaining Aboriginal communities. The tourism commission has proposed special measures to ease the impact on Aborigines, including training programmes and the concept of isfy the desire of tourists to experience Aboriginal culture and offer employment to local people while protecting their

The environment is a tive issue throughout Australia and the State Government is already under attack from conservationists for allegedly allowing too much development in northern coastal areas. and in the south-eastern for-

Government officials say the amount of coastline which has been developed is minimal by comparison with Queensiand, the "Sunshine State" to the north, and insist that developests and skyscraper apartment blocks almost on the beach. Nonetheless, the commission

acknowledges that many Australians do not understand the scope of tourism and its importance to the national econ

Careful planning will be needed to avoid a backlash from local communities exper-iencing rapid tourism-related

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